

PERSONNEL ISSUES

Mr. Chairman, The Military Coalition (TMC) thanks you and the entire Subcommittee for your consistent support of members of the uniformed services. We are most grateful to the leadership and members of this Subcommittee for their strong support leading to last year's significant improvements in military pay, housing allowances and permanent change of station allowance enhancements. These and the many other important provisions of the FY2002 National Defense Authorization Act will pay strong retention and readiness dividends in the years ahead.

But as much as Congress accomplished last year, very significant inequities and readiness challenges remain to be addressed.

In particular, the uniformed services still find themselves facing significant personnel recruiting, retention and readiness challenges, with ever-smaller numbers of servicemembers being asked to make progressively greater sacrifices in terms of their workload, their compensation and benefits package, and their families. The Subcommittee has made great strides toward restoring pay comparability, increasing allowances, and more. But additional steps are needed, regarding both compensation and force structure for active and reserve forces.

Significant inequities also persist for retirees and survivors, whose past service preserved the freedoms we enjoy today. Congress made significant strides in restoring lifetime health coverage for this population, but the disabled members and survivor communities both experience unfair reductions in their retired pay and survivor annuities. Correcting those problems remains a major 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. But national leaders also have pursued an increasingly active role for America's forces in guarding the peace in a still-dangerous world - even more so since last September - so that today's servicemembers are being deployed many times more often than those of the mid-1980s.

Past years' budget-driven reductions have taken an unfortunate toll in the Services' ability to retain highly skilled military personnel. Despite the notable and commendable improvements made during the last two years in military compensation and health care programs, retention remains a significant challenge, especially in technical specialties.

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, curtailed (until recently) pay and allowance increases, deteriorating military housing, less opportunity to use education benefits, and more out-of-pocket expenses with each military relocation.

The war on terrorism has only heightened already burdensome mission requirements, and operating—and personnel—tempos continue to increase. Members' patriotic dedication will help uphold the increased workload in the short term, and a temporarily depressed economy also may deter some losses. 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 strong market demand for their skills and services 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 sacrifices inherent in uniformed service. They see their peers succeeding in the civilian world and a rebounding economy with a more stable career and family life, often including an enhanced compensation package and far less demanding working conditions. Too often, our excellent soldiers, sailors, airmen and Marines are opting for civilian career choices.

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 saw the current retention crisis coming before most, and you made significant efforts to forestall it. 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 rebuild the trust that has been strained by years of disproportional sacrifice. Meeting this challenge will require a substantial commitment of resources on several fronts.

Personnel Strengths and Operations Tempo. The Coalition has been dismayed at low force levels and the very modest Service requests for additional end strength increases resulting in high operational tempo levels.

The force is unduly stressed due to insufficient numbers of personnel to support the war on terrorism and associated operational requirements, resulting in a negative impact on the quality of life for uniformed services personnel. Recent statements by the Administration and military leaders warn of a long-term mission against terrorism, meaning more servicemembers deployed to Central Asia and other foreign countries around the world. The services do not have sufficient numbers to sustain the war on terrorism, deployments, training exercises and other commitments, resulting in the recall of 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.

The real problem is twofold. First, there are simply too few servicemembers to do all the work that needs to be done. Second, because too many career personnel are opting out of the military, relatively junior members must assume jobs previously done by much more experienced personnel. The result is that today’s force is not only much smaller than the robust force we had during Operation DESERT SHIELD/STORM, but much less experienced, as well.

The Coalition strongly believes that earlier force reductions went too far and that the size of the force should be increased, commensurate with missions assigned. The force was already overstrained to meet its deployment requirements, even before taking on new requirements arising from the war on terrorism. The grinding operations tempo has become a major quality of life issue that won’t go away, and it will not be fixed by “down time” or expressions of understanding and encouragement. Deferral of meaningful action to address this problem cannot continue without risking serious long-term consequences. Real relief is needed now. With no evidence of declining missions, this can only be achieved by increasing the size of the force.

This is the most difficult piece of the readiness pie, and one of the most important. Pay and allowance raises are essential to reduce other significant career dissatisfiers, but they can't fix fatigue and rising family separations.

Some argue that it will do little good to increase end strengths, since the Services are already experiencing difficulty meeting current recruiting goals. The Coalition believes strongly that this severe problem can and must be addressed as an urgent national priority, with commensurate increases in recruiting budgets.

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. Over the long run, smaller but more heavily deployed forces will experience family-driven retention declines.

Action is needed now to prevent a downward spiral of recruiting, retention, and readiness. Failing to do so will only deepen stress-related retention shortfalls and make future recruiting challenges even worse.

The Military Coalition strongly recommends restoration of Service end strengths consistent with long-term sustainment of current deployments and fulfillment of national military strategy. The Coalition supports application of recruiting resources/voluntary recall policies as necessary to meet this requirement. The Coalition urges the Subcommittee to consider all possible manpower options to ease operational stresses on active, Reserve and Guard personnel.

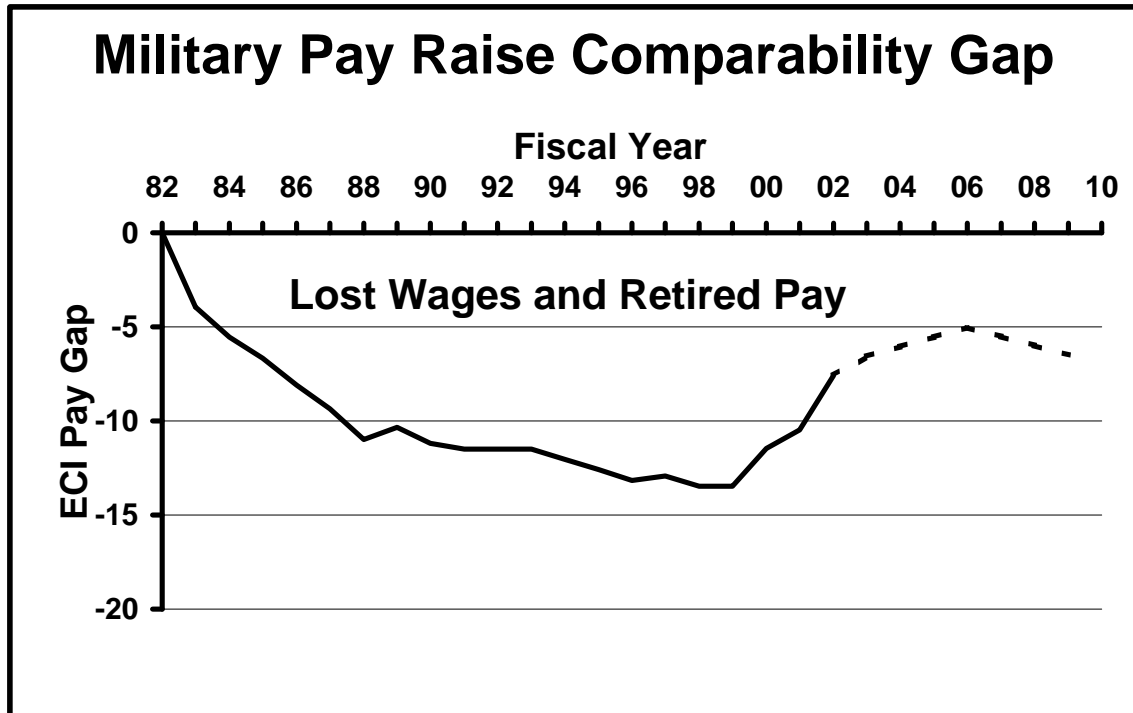
Pay Raise Comparability. The Military Coalition is extremely appreciative of the Subcommittee's leadership during the last three years in reversing the routine practice of capping servicemembers' annual pay raises below the average American's. In servicemembers' eyes, all of those previous pay raise caps provided regular negative feedback about the relative value the Nation placed on retaining their services.

Your determination to begin making up for those past shortfalls has offered much-needed acknowledgment that the commitment between servicemembers and their Nation cannot be a one-way street. The January 2002 pay raise, the largest in 20 years, and the increased allowances you approved in the FY2002 Defense Authorization Act provided more appropriate financial recognition for career and high-performing servicemembers. But the Coalition urges the Subcommittee not to consider its work on pay matters complete.

Military and veterans associations know only too well the tremendous leadership effort required to reverse long-standing trends and win allocation of additional resources for programs that have been long-constrained. As significant and laudable as those efforts have been, it must be acknowledged that the annual increases approved so far will make up only about half of the cumulative pay raise sacrifices imposed on servicemembers over the previous two decades. The last time a large pay comparability gap coincided with a retention crisis (in the late 1970's), the gap was eliminated via double-digit raises in both 1981 and 1982.

It is worth noting that the remaining 7.6% pay raise comparability gap - reduced substantially from 13.5% in 1999, thanks to this Subcommittee's impressive leadership - is still larger than the worst gap of the late 1970s (7.3%).

The President's Budget proposes an average 4.8% raise for FY2003, which would shrink the gap another 1.2 percentage points. Even at that rate, it would take another six years to restore full comparability. But current law would only reduce the gap by one-half percentage point per year through 2006 - and then once again begin capping military raises below private sector wage growth (see chart below).



The Coalition urges the Subcommittee to restore full pay comparability on the quickest possible schedule, and to change the permanent law to eliminate annual pay caps as the statutory default.

Pay Table Reform. The Subcommittee also has worked to address some shortcomings within the basic pay table by authorizing special “targeted” adjustments for specific grade and longevity combinations in recent years. The Coalition has supported these raises to recognize the education and technical expertise of certain career officers and enlisted members. More may need to be done in this area to address concerns such as pay compression between warrant officer pay and senior enlisted pay. However, the Coalition is concerned about potential perceptions of creating annual “haves” and “have nots” among members in different grades.

The Military Coalition believes all members need and deserve annual raises at least equal to private sector wage growth. To the extent targeted raises are needed, the Department of Defense needs to identify the ultimate “objective pay table” toward which the targeted raises are moving. Specific objectives for inter-grade relationships must be established, publicized, and understood, or members will perceive repeated differential raises as unfair.

Basic Allowance for Housing (BAH). The Military 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, DoD proposed plans to reduce out of pocket expenses to 11.3 percent in 2002 and reduce the median out-of-pocket expense 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/utility costs.

We applaud the Subcommittee's action, but we ask that more be done. Housing and utility costs continue to rise, and we are years away from closing the existing pay comparability gap. Members residing off base face higher housing expenses along with significant transportation costs. Relief is especially important for junior enlisted personnel who live off base and do not qualify for other supplemental assistance.

In a related issue, TMC supports revised housing standards that are more realistic and appropriate for each pay grade. 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.

The Military Coalition urges the Subcommittee to "front-load" as much of the remaining BAH upgrade as possible in FY2003, and to direct adjustments in grade-based housing standards to more adequately cover members' current out-of-pocket housing expenses.

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 dictate to them where they must eat their meals.

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

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 FY2003. 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 36.5 cents per mile for military members and federal civilians. Members are authorized time off for housing-hunting trips in advance of a PCS relocation, but must

make any such trips at personal expense, without any government reimbursement such as federal civilians receive. Further, federal and state cooperation to provide unemployment benefits is required to provide unemployment compensation equity to military spouses forced to leave jobs due to 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 of childrens' schooling, spousal career sacrifices, etc. The Coalition believes strongly that the Nation that requires them to incur these disruptions, should not be requiring them to bear the attendant high expenses out of their own pockets.

The Military Coalition urges continued upgrades of permanent change-of-station reimbursement allowances in FY2003 to recognize that the government, not the servicemember, should be responsible for paying the cost of doing the government's business.

Family Readiness and Support. The family continues to be a key consideration in the readiness equation for each servicemember. The maintenance of family readiness and support programs is part of the cost of performing the military mission. We must ensure that families have the opportunity to develop the financial and readiness skills needed to cope with deployment situations. It is important to meet the childcare needs of the military community including National Guard and Reserve members. Overall family support programs must meet the needs of National Guard and Reserve members being called to active duty in ever increasing numbers.

The Military Coalition urges improved education and outreach programs and increased childcare availability to ensure a family readiness level and a support structure that meets the requirements of increased force deployments for active, National Guard and Reserve members.

Commissaries. The President's FY 2003 budget reduces Defense Commissary Agency funding by \$137 million and eliminates over 2,600 positions from stores and headquarters staff by September 30, 2003. While DeCA indicates there will be no loss in service to the customer, the Coalition is concerned that the size and scope of the reductions may negatively impact quality and service to customers, including additional store closings, reduced hours, longer cashier lines and reduced stock on store shelves. This would have a significantly adverse impact on the benefit, which is widely recognized as a valuable part of the servicemember's compensation package and a cornerstone of quality of life benefits. As it has in the past, The Military Coalition opposes any efforts to privatize commissaries and strongly supports full funding of the benefit in FY 2003 and beyond.

The Military Coalition opposes privatization of commissaries and strongly supports full funding of the benefit to sustain the current level of service for all commissary patrons.

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. National Guard and Reserve members and units shoulder ever-greater day-to-day operational workloads. Along with active duty forces, they increasingly have come to face many of the same challenges as their active counterparts.

Compounding the problem for National Guard and Reserve personnel, their increasing support of day-to-day active duty operations also has placed greater strains on the employers of these members. 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. In the last few months, the requirements of the war on terrorism led to the activation of over 76,000 National Guard and Reserve members for homeland defense and overseas deployments.

The Coalition understands and fully supports the Total Force Policy and the prominent role of the National Guard and Reserve forces under this policy. Still, the Coalition is concerned that ever-rising operational employment of National Guard and Reserve 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 could eventually face resistance with employers and increased financial burdens when activated which would negatively impact their ability to perform assigned missions and reduce their propensity to remain in reserve service.

The Military Coalition urges continued attention to ensuring an appropriate match between National Guard and Reserve force strengths and missions. The Coalition further urges an evaluation of the Soldier's and Sailor's Civil Relief Act (SSCRA) for adequacy in today's environment, particularly as it applies to National Guard members activated by state Governors under Title 32, at the request of the President, in support of homeland defense missions.

Healthcare for Members of the National Guard and Reserve. Health insurance coverage for National Guard and Reserve members varies widely. Some have coverage through private employers, others through the Federal government, and still others have no coverage at all. The latter group includes an unknown number of junior enlisted members, many of whom are seasonal workers or students.

For Reserve families fortunate enough to have health insurance coverage through their private employers, employers can remove their insurance subsidies and force reservists to pay full premium themselves, plus a two- percent administrative fee. Although TRICARE “kicks in” 30 days after activation, many National Guard and Reserve families are left to figure out how to utilize their healthcare benefits while their sponsor is deployed. Offering TRICARE benefits to members of the National Guard and Reserve as an option for healthcare insurance reduces these problems by ensuring continuity of coverage for service members and their families.

The precedent has already been set for Reserve insurance coverage under the TRICARE family dental insurance program. Reserve sponsors pay family dental premiums until activation. On activation, premiums cease and the family is enrolled in the active TRICARE dental insurance program.

More recently, DoD signaled acknowledgment of the problem of “continuity of care” for activated National Guard and Reserve servicemembers by agreeing to cover the cost of Federal Employee Health Benefit program insurance premiums during periods of extended activation. TMC applauds the efforts of the Congress to expand this benefit to other federal agencies and by charging the Comptroller General to study this issue and report on cost effective options for providing health care benefits for members of the Selected Reserve.

The Military Coalition urges making the TRICARE medical program available for members of the National Guard and Reserve Component and their families on a cost-sharing basis in order to ensure medical readiness and provide continuity of coverage to members of the Selected Reserve

Selected Reserve Montgomery GI Bill (MGIB) Improvements. Individuals who first become members of the National Guard or Reserve are eligible for the Selected Reserve Montgomery GI Bill (MGIB-SR). The MGIB-SR is authorized under Title 10, whereas the basic MGIB program is governed by Title 38 (Veterans Benefits). As a result, when increases to the MGIB program are made under Title 38, proportional adjustments are often overlooked in the Title 10 MGIB-SR program. For example, basic benefits for full-time students under the MGIB will increase 46% over the next two years, but no corresponding proportional increase was funded for the reserve program. [On January 1, the MGIB (Title 38) benefit for full-time students rose from \$762 a month to \$800. A second increase, to \$900 a month, is set for October 1 of this year and will be followed by a third increase, to \$985, in October 2003.] In addition, the MGIB-SR is paid out of the National Guard and Reserve personnel appropriations, and the Reserve chiefs are forced to absorb any MGIB-SR increases out of these accounts. The Coalition believes that total force equity requires automatic proportional adjustments to the MGIB-SR. One way to facilitate this objective is to transfer the MGIB-SR program to Title 38.

A second MGIB-SR concern is the usage period. In today’s high-OPTEMPO National Guard and Reserve environment, these servicemembers find it difficult to juggle employment and school commitments with family and military responsibilities. A part-

time student-National Guard or Reserve member could easily take all of the 10 years currently authorized for MGIB benefits to complete an undergraduate degree. As a result, National Guard and Reserve members are often forced to either attend school during their first enlistment or risk the loss of their benefits, even if they subsequently serve a full career in a National Guard or Reserve unit. Last year, the Department of Defense recognized the need to increase the usage period and supported an initiative to extend the period for National Guard and Reserve usage by four years. The Military Coalition believes that the solution is to extend eligibility for MGIB-SR benefits to five years after separation from the National Guard or Reserve. This benefit could be extended to those who remain in the National Guard or Reserve for a specified period of time and would have the added benefit of creating a retention incentive for National Guard and Reserve members.

The Military Coalition recommends that the Reserve MGIB authority be transferred to Title 38 so that increases to the basic benefit can be more easily made, proportionally, in the Reserve program. The Coalition also supports extending the Reserve Montgomery GI Bill benefits usage period an additional five years after separation from the National Guard or Reserve.

Tax issues. The Coalition understands that tax matters fall under the purview of a different committee. But there are unique issues affecting members of National Guard and Reserve forces, and we hope that members of the Subcommittee will seek the support of the Ways and Means Committee in addressing them.

Guardsmen and Reservists are being asked to train more to enhance their readiness to support contingency missions, and are incurring considerable un-reimbursed expenses for such training-related items as travel, overnight lodging, meals and uniforms. Prior to the 1986 tax code revision, these expenses were fully deductible; under current law, they are only deductible to the extent they exceed two percent of adjusted gross income. In a case where the member and spouse, combined, earn \$40,000, the member must absorb the first \$800 per year of his or her Reserve-related expenses. A member and spouse earning \$30,000 each must absorb \$1,200 per year. This is a significant financial penalty for members seeking to serve their country, and needs to be corrected. National Guard and Reserve members should not be required to subsidize their own military training.

The Military Coalition urges restoration of full tax-deductibility of non-reimbursable expenses related to military training.

With today's increasing operations tempo, the support of National Guard and Reserve members' employers is more essential than ever. Yet more frequent absence of National Guard and Reserve employees for training or operations is undermining that support, as mentioned above. The Subcommittee's help is needed to foster additional incentives for employers to help offset their costs associated with their employees' military activities.

The Military Coalition urges authorization of tax credits for employers of National Guard and Reserve employees.

Retirement Credit for All Earned Drill Points. The role of the National Guard and Reserve has changed significantly under the Total Force Policy, especially during the post-Cold War era. Congress responded to the need for increased readiness by allowing Guardsmen and Reservists to credit for retirement more of their earned inactive duty training (IDT). During most of the Cold War period, the maximum number of 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, 90 points. (Section 652 of the FY2001 National Defense Authorization Act, P.L. 106-398). The Coalition is most appreciative of Congress' approval of the increase. However, the fundamental question is why National Guard and Reserve members are not permitted to credit for retirement all the training that they've earned in a given year. The typical member of the National Guard and Reserve consistently earns IDT points above the new 90-point maximum creditable toward retirement. 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 those National Guard and Reserve member commitments to the readiness mission.

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.

Unlimited Commissary Access. National Guard and Reserve members are authorized 24 commissary visits per year. Visits are tracked by a cumbersome and costly access card that must be reissued each year by Reserve component commands. The process of issuing, checking, and accounting for these separate cards contradicts DoD's policy of a "seamless, integrated total force" symbolized by the issuance of green ID cards to all members of the Selected Reserve. Because only 35–40 percent of National Guard and Reserve members live close enough to commissary stores to be able to use them conveniently, there is little chance of excessive use by National Guard and Reserve members. In fact, the 24-visit limit is tantamount to full privileges for the vast majority of National Guard and Reserve personnel. Thus, the sole effects of the 24-visit limit are to treat National Guard and Reserve members as second-class citizens and to place unnecessary, expensive and time-consuming documentation requirements on National Guard and Reserve units. Equal access to commissary stores by the National Guard and Reserve is an imperative that recognizes the increased responsibility of National Guard and Reserve forces for the national security.

The Military Coalition recommends doing away with the 24-visit access cards and extending unrestricted commissary access to members of the National Guard and Selected Reserve.

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 Coalition was most disappointed that agreement could not be reached by last year's Conference Committee to provide unconditional concurrent receipt in the FY2002 Defense Authorization Act. The Coalition appreciates the Armed Services Committees' difficulties in addressing this area without Budget Resolution headroom or full leadership agreement. We also appreciate the statement of moral support for concurrent receipt that the Subcommittee did manage to insert in that Act. The Subcommittee's acknowledgement of the significant inequity the current law imposes on disabled military retirees is very important to us. Similarly, the Act's provision of modest adjustments to the Special Compensation for Certain Severely Disabled Retirees took at least an additional step to expand the population eligible for at least some small easing of the onerous disability offset penalty.

But the Coalition strongly believes the time has come to turn this support into action, and to exert all possible effort to provide budget headroom for this initiative in the FY 2003 Budget Resolution.

The Military Coalition has long held that military retired pay and veterans disability compensation are paid for different purposes, and one should not offset the other. Specifically, retired pay is earned compensation for completing a career of arduous uniformed service, while veterans disability compensation is paid for pain and suffering and loss of future earnings' potential caused by a service-connected disability.

Previous attempts to fix this inequity have all been met with the same response—the cost is too large. But the cost to men and women in uniform who have been injured while serving this Nation is far greater. No one disabled in the course of serving his or her country should have to forfeit an earned retirement—for years of faithful and dedicated service—in order to receive VA disability compensation for the wounds, injuries, or illnesses incurred in such service.

Congress recently affirmed a similar principle in repealing the outdated statutory provision that, before October 1, 1999, required partial forfeiture of military retired pay by retired servicemembers who accepted post-service employment as federal civilians. The same rationale applies to disabled servicemembers. That is, both categories of retirees deserve to receive the full retired pay they earned by virtue of their career of military service. Just as they should not be required to forfeit that retired pay based on their subsequent civilian employment, they should not have to pay a retired pay penalty because their service in uniform caused them long term disability. Compensation for the latter condition must be provided in addition to their earned retired pay, not in place of it.

Rep Michael Bilirakis' HR 303 and Sen. Harry Reid's S. 170 would correct the unfair and outdated retired pay/disability compensation offset, and these bills enjoy cosponsorship of 86% of the House and 76% of the Senate, respectively.

The Coalition believes strongly that that level of cosponsorship support is inconsistent with continued inaction, and that there needs to be a greater correlation between what Congress says and what it does. The remaining disabled warriors of the Greatest Generation and Korea have earned and deserve better treatment, and Congress needs to provide substantive relief as a matter of urgency before any more of their number fade into history.

Last year, Congress opted to leave the issue to the Executive Branch. The sad reality is that Administrations of any party have been consistently reluctant to seek the budget resources to solve expensive personnel equity problems. Military members have had to look to Congress to do the right thing, and more often than not, Congress has done so.

With other options exhausted, it is finally time for Congress to take real action to address the grossly unfair financial penalties visited for so long on those who already have suffered most for their country – military retirees disabled as a result of their service.

The Military Coalition urges Subcommittee leaders and members to voice their support of concurrent receipt to House and Senate leaders most strongly, to ensure authority and funding for substantive concurrent receipt relief in FY 2003.

Former Spouse Issues. The Military Coalition is concerned that many inequities persist in the application of the Uniformed Services Former Spouse Protection Act (USFSPA). The Coalition appreciates the sensitivity and complexity of this issue and the need for the Subcommittee to hear all relevant inputs. Several times in recent years, Congress has enacted piecemeal changes to the law prior to hearing testimony on the full range of inequities. The Coalition believes strongly that such piecemeal changes should be suspended until the Subcommittee has heard all relevant inputs and can strike a balance between the needs and rights of the various affected parties. Although the intent of the USFSPA was to assist former spouses in obtaining a fair share of their military spouses' retired pay, the law is ambiguous and weakly written. This has resulted in state courts awarding judgments that ignore the provisions of the USFSPA intended to protect the veteran.

Delivery of the recent DoD report to Congress on USFSPA now clears the road for congressional consideration of possible improvements to the law.

The Military Coalition urges the Subcommittee to conduct hearings on needed USFSPA changes, both to gather all inputs needed for appropriate subsequent legislation and to guard against inadvertently exacerbating current inequities via well-intended, piecemeal legislative action initiated outside the Subcommittee.

Involuntary Separation Pay. A law change enacted in 2000 denies separation pay to officers twice deferred for promotion who decline continuation to 20 years of service.

The Coalition urges the subcommittee to reconsider. This legislation is particularly unfair to officers deferred a second time for promotion to O-4 (at approximately 13 years of service), who can find themselves coerced into an untenable choice between serving an additional 7 years without advancement opportunities or separating after more than a decade of service without any separation pay. Previously, officers could decline such an offer and still receive separation pay, in recognition of the inconsistency between deeming an officer noncompetitive for advancement in the military and simultaneously create financial barriers to allowing the officer to pursue civilian career opportunities.

The Coalition believes such an insensitive practice can only encourage officers to leave service early rather than risk investing 13 years of service and be treated so unfairly if deemed noncompetitive. Perceptions of this unfairness have led to varied applications in different services, which only heightens the inequity.

The Military Coalition urges reinstatement of involuntary separation pay eligibility for officers twice deferred from promotion who decline continuation to 20 years.

SURVIVOR PROGRAM ISSUES

The Coalition thanks the Subcommittee for the provision in the FY2003 Defense Authorization Act that extended Survivor Benefit Plan (SBP) eligibility to members killed on active duty, regardless of years of service. This action went a long way toward addressing a long-standing survivor benefits disparity.

But more serious SBP inequities remain to be addressed. The Coalition hopes that this year the Subcommittee will be able to support some increase in the minimum SBP annuity for survivor's age 62 and older, in addition to a more equitable paid-up SBP implementation schedule for pre-1978 SBP enrollees.

Age 62 SBP Reduction. 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. The amount of the reduction varies by the circumstances in each case. 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 potentially 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 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. Thus, 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 DoD Actuary has confirmed that the 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 than 27 percent.** The statute assumed that retiree premiums would cover 60 percent of expected long-term SBP costs based on the Actuary's assumptions about future inflation rates, interest rates, and mortality rates. However, actual experience has proven these assumptions were too conservative, so that retiree premiums now cover 73 percent of expected SBP benefit costs. In effect, retirees are being charged too much for the long-promised benefit.

The paid-up SBP initiative enacted in 1998 will ease this disparity modestly for members retiring after 1978, but the subsidy will still fall far short of the promised 40 percent and comes too late for many older retirees.

In addition, a significant inequity exists from the military retiree's standpoint in that the survivor benefit plan coverage provided for federal civilian employees provides both a higher post-62 benefit and a higher government subsidy, as indicated in the chart below.

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	50%	42%	27%

* Civil Service Retirement System

**Federal Employees Retirement System

Some might argue that federal civilians warrant higher benefits and subsidies on the basis of their extended careers, but that is false reasoning. Military members, except for disabled members, must serve at least 20 years to qualify for retirement and often serve much longer. While many federal civilian employees do, in fact, serve even longer

periods, this is not necessary to qualify for retirement and survivor coverage, as many nondisabled federal civilians qualify for retirement after serving considerably less than 20 years—and can do so with as little as five years' service, depending on age.

More importantly, because they retire at younger ages than federal civilians, retired servicemembers pay premiums for a far longer period. The combination of greater premium payments and lower age-62 benefits leave military retirees with a far less advantageous premium-to-benefit ratio—and therefore a far lower federal survivor benefit subsidy—than their retired federal civilian counterparts.

The FY2001 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 vs. 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. Thurmond and Rep Miller (S. 145 and H.R. 548, respectively) that, if enacted, would eliminate the disparity in a three-stage process—raising the minimum SBP annuity to 40 percent of SBP-covered retired pay immediately; to 45 percent on October 1, 2004; and to 55 percent on October 1, 2011.

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. Despite a shrinking federal surplus, action is needed now to correct this long-standing inequity.

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. 145 and H.R. 548.

30-Year Paid-Up SBP. Congress approved a provision in the FY1999 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, however, 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 acknowledge the particular circumstances of 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 this regard, SBP premiums were reduced substantially in 1990, so these older members 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 imposing an additional six-year waiting period upon them.

The Military Coalition recommends accelerating the implementation date for the 30-year paid-up SBP initiative to October 1, 2003.

HEALTH CARE ISSUES

The Military Coalition (TMC) is most deeply appreciative of the Subcommittee's exceptional efforts over the last two years to honor government health care commitments to uniformed services beneficiaries, particularly for Medicare-eligibles and active duty members and families. The long and impressive list of accomplishments is well worth enumerating once more:

- Authorization of TRICARE For Life (TFL) and the TRICARE Senior Pharmacy Program (TSRx) for Medicare-eligibles;
- Establishment of the Military Medicare-eligible Retiree Health Care Fund to guarantee funding for older beneficiaries' care through military facilities, TFL or TSRx, beginning Oct. 1, 2002;
- Reduction of the TRICARE Catastrophic Cap on retired beneficiaries' out-of-pocket expenses from \$7,500 to \$3,000 per year per family;
- Elimination of TRICARE Prime copayments for active duty family members;
- Expansion of TRICARE Prime Remote for active duty families assigned where Prime is not available;
- Full funding of the defense health program in FY2002, for the first time in many years;
- Upgrade of the custodial care program, especially for active duty families; and
- Statutory protection of retired veterans' rights to access earned care from both Department of Defense and Department of Veterans Affairs health programs.

These and other subcommittee-sponsored enhancements are saving military beneficiaries thousands of dollars a year and represent the greatest military health care advancements in a generation.

The Coalition also thankfully recognizes the Subcommittee's continuing efforts to facilitate improvements in TRICARE claims processing, portability, and access.

However, much remains to be done to fully implement this host of laudable initiatives, to address certain chronic program shortcomings, and to address remaining initiatives that will be essential to providing a more equitable and consistent health for all categories of TRICARE beneficiaries, regardless of age or geography.

The Coalition looks forward to continuing its productive and cooperative efforts with the subcommittee's members and staff in pursuit of this common objective.

PROVIDE ADEQUATE FUNDING FOR THE DEFENSE HEALTH BUDGET

A top Coalition priority for FY 2003 is to work with Congress and DoD to ensure continued full funding of the Defense Health Budget to meet readiness needs and deliver needed care, through both the military direct care system and managed care support contracts, for ALL uniformed services beneficiaries, regardless of age, status or location. An adequately funded health care benefit is as critical to the retention of qualified uniformed services personnel and to readiness as are pay and other benefits. The Subcommittee's continuing conscientious scrutiny of the adequacy of annual budget proposals will be essential to avoid a return to the chronic underfunding situations that previously led to execution shortfalls, shortchanging of the direct care system, inadequate equipment capitalization, failure to invest in infrastructure and substitution of annual emergency supplemental funding requests for candid and conscientious budget planning.

In years past, part of the funding problem was attributable to the lack of a clearly defined benefit. With the introduction of TFL, the benefit is more clearly defined and funding requirements should be better understood.

The Military Coalition strongly recommends the Subcommittee continue its watchfulness to ensure full funding of the Defense Health Program, to include military medical readiness, TRICARE, and the DoD peacetime health care mission.

TRICARE FOR LIFE IMPLEMENTATION

The Coalition is pleased to report that, thanks to this Subcommittee's focus on beneficiaries, TMC representatives continue to be actively engaged in two OSD-sponsored TFL action groups. The TFL Steering Level Panel is comprised of military association CEOs, the Assistant Secretary of Defense for Health Affairs, members of the ASD(HA) staff and members of the TRICARE Management Activity. The Steering Panel meets quarterly to address major policy decisions, consistent with the latitude provided by existing statutes. The TFL Working Group has representation from the same organizations and meets bi-weekly, or as necessary, to coordinate details of implementation plans, identify problem solutions, and refer issues to the steering panel as needed. From our vantage point, the Defense Department continues to be committed to implement TFL consistent with Congressional intent and is working vigorously toward that end.

The Coalition is concerned that several TFL implementation “glitches” have arisen since October 1 that have posed frustrating delays or erroneous claims rejections for significant numbers of TRICARE beneficiaries. The TFL Working Group has provided a much-needed forum to exchange DoD and beneficiary perspectives and identify corrective actions. Although many of these remain to be fully resolved, we believe the Department is making a sincere and energetic effort to do so. The Coalition will continue to work closely with DoD to monitor the automated claims processing to expedite payments and eliminate beneficiary claim-filing requirements.

While in the process of developing TFL implementation plans and how TFL will interact with Medicare under various scenarios, 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.

In addition, the Coalition plans to remain vigilant in its efforts to identify gaps in coverage between Medicare and TRICARE benefits to make TRICARE for Life the true “wrap around coverage” as intended by Congress. It's extremely important that beneficiaries are confident they will no longer require Medicare supplemental insurance policies and are willing to rely wholly on TFL. Unintentional gaps in coverage will result in financial hardships for beneficiaries, and undermine confidence in the program. The Coalition is particularly concerned that DoD appears not to have budgeted the necessary funds to adequately inform beneficiaries and providers about the dramatically upgraded TFL and TSRx benefits. In most cases, informing beneficiaries was left to the four regional managed care support contractors (MCSCs). The result was a great disparity in the quantity and quality of notice members received about these extraordinarily important benefit changes. In many cases, the MCSCs put limited resources into mailings and beneficiary briefings because they had not budgeted for such things, and received little, if any, extra funding from DoD for this purpose.

In many cases, beneficiaries’ best sources of information were magazines and other TFL- or TSRx-specific publications published by beneficiary associations. Unfortunately, many beneficiaries did not have access to the association publications and thus were inadequately informed.

The Coalition recommends the subcommittee establish safeguards to ensure adequate funding is provided for beneficiary education whenever significant changes occur in military health or pharmacy programs.

Legislative Adjustments to TFL

Claims Processing for Under 65 Medicare-Eligible Beneficiaries. When TFL was enacted last year, the Coalition believes Congress intended that ALL Medicare-eligible beneficiaries should receive the same benefit and the same claims-processing treatment. Unfortunately, this has not turned out to be the case as DoD has interpreted and implemented the TFL statute.

First, the Coalition is very concerned about continuing claims processing limitations for the under-65 Medicare-eligible population. These TFL beneficiaries – who are eligible for Medicare due to 100-percent disability – so far have been left out of the electronic claims processing that is the standard for TFL beneficiaries over 65. Eligibility for automated claims is essential to make TFL work smoothly, since it opens up TRICARE access to any Medicare-participating provider. In this regard, Medicare providers incur no extra paperwork with TFL patients, because Medicare automatically processes the claims to TFL. But younger disabled beneficiaries and their providers are still saddled with filing individual paper claims with TRICARE for each episode of care (which entails much slower processing and payment), so many providers are unwilling to treat them or require payment upfront at the time of service. The Department of Defense has indicated its intent to include under-65 retired Medicare-eligible beneficiaries in the electronic claim system at some point in 2002, but has not committed to making this happen by any specific date.

Unfortunately, another group of Medicare-eligibles is even more severely disenfranchised from TFL participation – under-65 Medicare-eligible dependents of active duty family members. These beneficiaries are not only barred from the automated claims process, but they also endure a much more restricted benefit.

Congress specified that TFL is to perform as a second-payer to Medicare on a “benefits plus benefits” basis. That is, TRICARE pays whatever Medicare will not for any service covered by Medicare and TRICARE. But the language of the TFL law applies only to retired beneficiaries and their dependents, and to eligible survivors and certain former spouses. As presently written, the TFL law does not address Medicare-eligible active duty family members. For the latter case, the Department of Defense operates TFL as second-payer to any other insurance – including Medicare – on a “benefits less benefits” basis. Under this methodology, TRICARE payment calculation involves a complex comparison of Medicare vs. TRICARE allowables and payments, and the beneficiary is subject to TRICARE Standard deductibles (TFL beneficiaries are not). The confusing methodology often leads to payment problems and is extremely hard for patients and providers to understand (indeed, even TRICARE managers have difficulty explaining it). Thus, TRICARE is of considerably more limited value to Medicare-eligible active duty family members.

The Coalition believes this situation is extremely unfair and imposes an undue burden on beneficiaries, many of whom are the most in need of care and often endure financial hardship because of their disability.

Further, all disabled beneficiaries under 65 do not receive any formal communication from DoD about how their TRICARE benefits change upon becoming eligible for Medicare Part B. The Coalition, through the TFL working group and senior level panel, has continued to urge DoD to take a more proactive stance in aggressively educating this group about the benefits changes associated with attainment of Medicare eligibility.

The Coalition urges the Subcommittee to change the law to specify that all Medicare-eligible uniformed services beneficiaries, regardless of age or status (active duty dependents or retired beneficiaries), shall be entitled to the same TFL benefits, claims processing treatment, and benefits information notification currently afforded to Medicare-eligible beneficiaries over age 65.

Requirement for Prior Authorization for TFL Inpatient Mental Health

Hospitalization Despite TFL's role as second payer to Medicare, one holdover from DoD's overly zealous prior authorization requirements is the requirement for prior authorization for inpatient mental health services for TFL beneficiaries. The Coalition strongly disagrees with placing this additional administrative burden upon TFL beneficiaries when TFL is second-payer to Medicare. When Medicare authorizes inpatient mental health hospitalization, TRICARE authorization also should be automatic, just as it is for other Medicare-covered services. The current preauthorization requirement not only burdens beneficiaries, but also causes unnecessary paperwork and increased administrative costs with little or no demonstrated impact on effectiveness or improved outcomes.

The Coalition urges the Subcommittee to eliminate the requirement for prior authorization for inpatient mental health services for TFL beneficiaries when Medicare is the primary payer.

Medicare Part B Penalty. Currently, about six percent of the Medicare-eligible beneficiaries residing in the United States would be subject to a Medicare Part B late enrollment penalty if they desire to participate in TFL. The penalty, which increases by 10 percent per year, is particularly onerous for more senior retirees (principally the veterans of World War I and World War II), lower grade retirees and survivors. Under these rules, a 75-year old would have to pay double Part B premiums for life. An 85-year old would incur triple Part B premiums for life. Although we would prefer to see this penalty waived, TMC recognizes that jurisdiction over any aspect of the Medicare program is outside the scope of the Armed Services Committees.

TMC proposes an alternative, under the jurisdiction of the Subcommittee, which parallels the treatment of Medicare Part B for participants in TSRx. Specifically, beneficiaries who attained age 65 prior to April 1, 2001, are not required to enroll in Medicare Part B to participate in the TSRx program. Those who become 65 after that date must enroll in Part B to be eligible for TSRx. TMC believes similar ground rules should be extended to TFL. Beneficiaries who became 65 before October 1, 2001, should be provided the option of having TRICARE as primary payer (without requiring enrollment in Part B) for services normally covered by Medicare Part B. Under this proposal, such beneficiaries would be subject to applicable TRICARE deductibles and copayments for such services. (The individuals in question are entitled to Medicare Part A).

The Military Coalition recommends that individuals who attained age 65 prior to October 1, 2001, who would otherwise be subject to a Medicare Part B penalty,

should have the option to decline enrollment in Medicare Part B, with TRICARE assuming first-payer responsibilities, as applicable, for such beneficiaries.

Beneficiaries Residing Overseas. Under TFL, approximately 11,000 Medicare-eligible beneficiaries, who reside in foreign countries, are required to participate in Medicare Part B, even though Medicare does not function overseas. This is a particularly onerous burden for elderly retirees who have resided outside of the United States for years and, for obvious reasons, did not enroll in the non-existent Medicare program at 65. For example, an 80-year old retiree overseas would have to pay 250% of the normal Part B premium for the rest of his life to gain TFL coverage -- even though Medicare would not pay a cent for his care. The Coalition believes this situation is highly inequitable.

Overseas beneficiaries have been actively discouraged by the Health Care Financing Administration -- now known as the Centers for Medicare & Medicaid Services (CMS) -- from enrolling in Part B. Specifically, HCFA/CMS letters to overseas retirees have advised, *“Therefore, unless you believe that you may be returning to the United States in the near future either to live or to receive medical care, it is probably not to your advantage to enroll in medical insurance at this time.”* The Coalition believes members who were counseled by the government not to enroll in Part B because they live overseas where Medicare does not apply should not be compelled to enroll in Part B years later. It is particularly unfair to deny elderly military beneficiaries the belated TFL benefit they earned by extended arduous service unless they agree to pay an artificially inflated fee for a Medicare benefit they can never use.

The Military Coalition urges the Subcommittee to eliminate the requirement to enroll in Medicare Part B for otherwise-eligible TFL beneficiaries who reside in foreign countries where Medicare benefits cannot be used.

Other TFL Considerations

TRICARE Plus. The Coalition is pleased with DoD’s decision to offer Medicare-eligible beneficiaries the opportunity to enroll in a primary care program at selected military treatment facilities (MTFs) where capacity exists. The Coalition appreciates that DoD will guarantee primary care access for Plus enrollees on the same basis as other enrolled TRICARE Prime beneficiaries.

TRICARE Senior Prime enrollees were “grandfathered” into the Plus program. In addition, TRICARE Prime beneficiaries under age 65 are permitted to “age into” Plus when they become Medicare-eligible. Other Medicare-eligibles who have been enrolled or empanelled in a health program at a MTF enjoyed a higher enrollment priority than those with no such prior relationship.

The Coalition is well aware of the finite capacity and resource limitations of the military health system and supports a DoD policy that balances TRICARE Plus enrollees’ needs with the readiness mission and the primary care access needs for active duty and retiree beneficiaries.

Dual-Eligible DoD-VA Beneficiaries

The Coalition is very grateful to the subcommittee for the FY2002 National Defense Authorization Act (NDAA) provision that prohibits the Secretary of Defense from forcing beneficiaries who are also eligible for Veterans Administration (VA) medical care DoD beneficiaries to choose between DoD and VA care. The Coalition is disappointed that the Administration continues to support this “forced choice” initiative. It is the Coalition’s view that this policy change, if ever implemented, would constitute a serious breach of faith.

The VA health system delivers specialized care and services for members with significant disabilities (e.g., prosthetics and treatment of spinal injuries) that are difficult if not impossible to duplicate in military facilities. But their needs for such specialized care for service-connected disabilities should not be turned to their disadvantage - either to compel them to get all their care from the VA, or to deny them specialized VA care if they choose routine care for themselves and their families through TRICARE.

We acknowledge that a critical, but not insurmountable, challenge for Congress, DoD, and VA will be to implement a suitable policy framework under which these beneficiaries will be able to access the health care they have earned. Retired veterans with VA-rated disabilities (68 percent of enrolled retired veterans are in Priority Groups 1-3), or with other factors codified in law (Priority Groups 3-6), are entitled to VA health care and, as a matter of principle, should not be required to choose between VA health care and TFL. These service-connected disabled veterans have earned the right to military health care in return for their careers of service in uniform. They also have earned access to specialized VA care for the (often severe) disabilities that their service has imposed on them.

The Coalition urges the Subcommittee to remain vigilant in its efforts to ensure that military retirees also eligible for VA care should not be forced to make an election between VA and DoD health care.

IMPROVEMENTS IN TRICARE

The Coalition is pleased that the FY 2001 NDAA made an effort to address the lack of physician participation in TRICARE by requiring:

- DoD to designate specific rates for reimbursement for services in certain localities where access to health care services would be severely impaired; and
- Prepare reports analyzing the utility of increased reimbursements to ensure the availability of network providers, and to determine the extent to which physicians are choosing not to participate in contracts to provide health care in rural areas.

However, beneficiaries in certain geographies continue to report a lack of provider participation in TRICARE networks or as participating providers for Standard, thus limiting in access and choice. Despite many initiatives to improve the program, we

continue to hear complaints from providers of low and slow payments, as well as burdensome administrative requirements and hassles. These problems must be addressed by increasing reimbursement, streamlining claims processing requirements with greater reliance on electronic claims technology and eliminating unnecessary TRICARE reporting requirements. Only by decreasing the administrative burden placed 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.

A key problem is that, since 1991, TRICARE fees have been tied to Medicare reimbursement rates that have been in continual decline. While Congress has previously given the authority to the Secretary of Defense to increase reimbursements and mandated improvements in TRICARE business practices, only some of these improvements have been implemented. To date, the Secretary of Defense has made only very limited use of his existing authority to increase participation by raising reimbursement levels. The test demonstration of a Web-based automated claims system, required by the Sec 723 of the FY2001 NDAA to begin October 1, 2001, has not been activated. Because of the slow pace of change and reluctance to use existing authorities, there has been little increase in provider participation.

Large numbers of beneficiaries continue to report that prospective providers:

- Tell them they will not accept TRICARE reimbursement or TRICARE patients; or
- Require payment in advance because they refuse to accept the TRICARE Maximum Allowable Charge (TMAC) as an appropriate reimbursement rate and/or are unwilling to accept TRICARE's cumbersome administrative requirements and slow payments.

Once providers have left the system, promises of increased efficiencies have done little to encourage them to return. Lessons learned from TFL implementation demonstrate the effectiveness of electronic claims processing.

An additional administrative improvement under the TFL program deemed all Medicare providers as TRICARE authorized providers – eliminating the unnecessary cost and inconvenience of additional credentialing.

TFL has dramatically improved access to care for Medicare-eligibles by streamlining administrative procedures, processing claims electronically, making the system simple for providers, and paying claims on time.

But TRICARE remains a morass of paper claims, bureaucratic layering, and low and slow payments that has stubbornly resisted the kinds of upgrades that are essential to make TRICARE an attractive and reliable program for providers and beneficiaries.

Having implemented dramatic improvements in health coverage for Medicare-eligibles over 65 and active duty dependents, it is essential for the subcommittee to apply similar

aggressive action to make TRICARE similarly responsive to the needs of under-65 beneficiaries.

The Military Coalition most strongly urges the Subcommittee to ensure aggressive action to implement existing authorities to raise reimbursements where necessary to attract adequate provider participation, to reduce administrative requirements for providers, and to take additional steps as necessary to ensure rapid implementation of electronic claims processing.

TRICARE Prime Improvements

The Coalition is grateful for the FY 2001 NDAA provision authorizing TRICARE Prime Remote coverage for families of servicemembers assigned to areas where there is no TRICARE Prime option. However, this program has a shortcoming in that it requires that the family member must reside with the servicemember. This requirement may be reasonable when the family has a choice of accompanying the member, but this is not always the case. It can prove particularly troublesome for family members whose sponsor has Permanent Change of Station (PCS) orders that are “unaccompanied.” In such circumstances, there can be many good reasons why the family finds itself living in an area without Prime access while awaiting the end of the unaccompanied tour.

Further, families of deployed Guardsman and Reservists called to active duty for over 179 days are eligible for the Prime Remote benefit, but in most circumstance the service member is sent far from their residence, and the family remains behind. Other circumstances where families are separated include families who may return to their home of record during deployment and college students residing away from home. These families are unfairly burdened by having to pay much higher copayments for care than their counterparts fortunate enough to have an opportunity to reside with the sponsor.

The Military Coalition urges the Subcommittee to expand TRICARE Prime Remote coverage to include active duty servicemembers family members who are unable to reside with the servicemember, and to instruct DoD to identify and counsel active duty, Reserve and Guard families in this situation.

The FY 2001 NDAA represented landmark legislation in reducing out-of-pocket TRICARE expenses for active duty beneficiaries and Medicare-eligible retirees. However, the great strides made to improve benefits for these groups also tends to highlight the continued shortcomings of the TRICARE system for retirees under 65. Many of these beneficiaries live in areas not serviced by Prime, thus relying on the more expensive and cumbersome Standard benefit. Many, especially those who live in rural or metropolitan areas that are medically underserved, have great difficulty in locating TRICARE participating providers. This presents a dilemma for members who have no choice but to rely on providers who can charge higher prices and demand their fees “up front” at the time of service. Obviously, this places an undue financial burden upon these deserving beneficiaries.

In the light of the enhancements recently provided to the over 65 retirees (TFL) and active duty beneficiaries, extra steps are needed to provide a more consistent benefit to the under-65 retirees whose needs are not being met by TRICARE Standard.

The Military Coalition recommends that Subcommittee authorize extension of TRICARE Prime Remote coverage to retirees and their family members and survivors at the same locations where it is established for active duty families.

Codify Requirement to Continue TRICARE Prime in BRAC areas

In addition to our concerns about current benefits, the Coalition is apprehensive about the future benefits of military beneficiaries as DoD begins another round of base closures. Many beneficiaries deliberately retire in localities in close proximity to military bases, specifically to have access to military health care and other facilities.

Currently, under current TRICARE Managed Care Support Contracts, the Contractors are required to provide the Prime benefit in Base Realignment and Closure (BRAC) areas. But 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 Coalition urges the Subcommittee to amend Title 10 to require continuation of TRICARE Prime coverage for all uniformed services beneficiaries in BRAC areas.

Fully Implement 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 issued a memorandum stating that DoD policy requires full portability and reciprocity.

However, because of contract complications, the delayed implementation of the National Enrollment Database (NED) and other unspecified reasons, this policy has yet to be fully implemented in all existing TRICARE regions. Enrollees are still experiencing a disruption in enrollment 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 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 or pharmacy may actually be located in another TRICARE region, and yet due to the lack of reciprocity, these beneficiaries cannot use these providers or pharmacies without great difficulty. This problem suffers especially by

comparison with TFL, as TFL beneficiaries have full portability and reciprocity of both pharmacy and medical surgical benefits. Meanwhile, active duty and under-65 retired beneficiaries remain tied to the region where they reside. Under-65 beneficiaries who obtain prescriptions outside of their region actually must pay for their medications “up front” and apply to TRICARE for reimbursement.

It is unfathomable that, despite years of focus on the need for portability and reciprocity, and the obvious disruptions and financial problems imposed on beneficiaries in the interim, this same problem persists year after year. Something is seriously wrong when our government requires nationwide mobility of military families, but has such little sense of urgency about making sure their health benefits can follow them.

The Military Coalition strongly urges the Subcommittee to direct DoD to expend the resources it needs to facilitate immediate implementation of portability and reciprocity to minimize the disruption in TRICARE services for beneficiaries.

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 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. Under the TFL program, as second payer to Medicare, TRICARE pays beneficiary out of pocket expenses, called “benefits plus benefits”. However, when Standard beneficiaries have other health insurance (OHI), TRICARE as second payer seldom pays out-of-pocket expenses, “called benefits, less benefits.”

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 previous, pre-1995 policy, any third party insurer would pay first, and then TRICARE (formerly CHAMPUS) would pay any balance up to what it would have paid as first payer (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’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 entitled to TRICARE may forfeit their entire TRICARE benefit because of

private sector employment or some other factor that provides them private health insurance. In practice, despite statutory intent, these individuals have no TRICARE benefit.

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.

TNEX – TRICARE Next Generation of Contracts

Last fall, DoD began development and discussions about the next round of managed care support contract procurements. The Coalition agrees that this is a critically important step, both for the Department and for beneficiaries. In this regard, we believe it will be important for representatives of beneficiary advocate groups to have direct and early input to that process. The Coalition believes strongly that TFL implementation has proceeded as well as it has only because of beneficiary organizations' collaboration, and that a DoD partnership with beneficiaries is essential to achieve mutual goals in enhancing health care programs and delivery.

As the future contracts are procured, accountability is the Coalition's ultimate concern. If the current contracts are to be modified, to whom can the beneficiary go for the "one-stop shopping" that is currently in place? Where will the beneficiary go for support? Who will ultimately be responsible for coordinating quality and efficacy issues among DoD policymakers and contractors, and how will this be accomplished?

The Coalition is anxious to ensure that a stable program (while not without its difficulties) is not radically changed without clear evidence that outcomes of the effort will be an improvement and that the current level of service is not compromised. Transitions to new contractors, even when the contract design has not dramatically changed (as is proposed), has historically been tumultuous to all stakeholders, most importantly, the beneficiaries. The Coalition will be looking to determine what systems will be put in place, or are being contemplated, that will make the transitions to new contracts as seamless as possible to the beneficiary.

The Coalition recommends that the subcommittee provide oversight to the development of the next generation of TRICARE contracts and ensure that Beneficiary Advisory Groups' inputs be sought early in the contract redesign process.

TNEX Pharmacy Issues

The discrepancy between Medicare-eligibles and other beneficiaries in the administration of the pharmacy program causes a great deal of problems and confusion for beneficiary families. Under TFL, the program is administered along Medicare boundaries, which comprise whole states. The TRICARE program for under-65 beneficiaries is subject to the arbitrary TRICARE regional boundaries. For example, a beneficiary couple residing

in Northern VA faces a bewildering task finding help with pharmacy billing or other problems if one family member is over 65 and the other is not. For TRICARE purposes, the spouse under 65 would be subject to Sierra's pharmacy network, because Northern Virginia is in TRICARE's Northeast Region. But the spouse over 65 can use both the Sierra network (Northeast) and the Humana network pharmacy (consistent with Medicare's "whole state" administration, all of Virginia's military Medicare-eligibles are managed under the auspices of Humana's Mid-Atlantic Region contract). Should the under 65 spouse attempt to get their medication filled at the over-65 spouse's Humana pharmacy in Northern VA, it may prove to be a not in Sierra's network -- subjecting the beneficiaries to the higher out of network pharmacy costs. Trying to keep this myriad of "who participates in which region/state" straight is an unnecessary burden for beneficiaries.

This issue could be simply solved by changing the administration of the pharmacy contract to remove regional barriers from pharmacies and make the pharmacy network nation-wide. This would permit under-65 beneficiaries the same portability as over-65 Medicare-eligible beneficiaries and solve the aforementioned portability and reciprocity issues, at least for pharmacy coverage.

The Coalition urges the Subcommittee to authorize DoD to modify the pharmacy contract to remove arbitrary barriers and make network pharmacy access universal for all beneficiaries.

Another organizational issue concerns inequities in the administration of the pharmacy program. Currently, the TRICARE Managed Care Support Contractors are given great leeway in administering the program's prior authorization rules. Because four different contractors now administer the program, it is possible for one beneficiary to be granted access to a specific medication that is denied to a beneficiary with the same clinical findings who happens to live in a different region.

In many cases, members receiving a medication without problems in one area have had the same medication denied after moving to another region. The Coalition believes that it is critical that the program be administered in a equitable manner

The Coalition urges the Subcommittee to require the Department of Defense to develop a plan to provide for uniform administration of the pharmacy benefit 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 and will the monitor activities of the Pharmacy and Therapeutics Committee. The Coalition is hopeful for a robust formulary with a broad variety of medications in each therapeutic class based on clinical outcomes 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 to comment on the formulary. Several Coalition members are members of the Beneficiary Advisory Panel and are eager to provide input on the program. The Coalition is aware that there will be limitations to access some medications; our efforts will be directed to ensuring that prior authorization requirements for obtaining non-formulary drugs and procedures for appealing decisions are communicated clearly to beneficiaries and administered equitably.

The Coalition continues to believe DoD must do a better job of informing beneficiaries about the scope of the benefit (source documents), and program guidelines (to include prior authorization requirements, generic substitution policy, limitations on number of medications dispensed, and a listing of the formulary). The Coalition is pleased that some of this information has finally been posted on the web for the retail pharmacy benefit. However, we remain concerned that many beneficiaries don't 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 Coalition urges the Subcommittee to ensure a clinically based robust uniform formulary is developed and adequate communication is provided to beneficiaries about program benefits, pre-authorization requirements, appeals, and other key information.

Requirements for Nonavailability Statements under TRICARE Standard

The Coalition is grateful for the provision in the FY 2002 NDAA that waives the requirement for a beneficiary to obtain a Nonavailability Statement (NAS) or preauthorization from an MTF in order to receive treatment from a civilian provider and appreciates that the time line for implementation of this provision has been moved up from the FY 2001 NDAA plan. However, except for maternity care, there are also several provisions for waivers that further diminish the practical effects of the intended relief from NAS and provide a great deal leeway for the reinstatement of NAS at the Secretary's discretion. The requirement would be waived 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.

The Coalition is disappointed that except for maternity care, the waiver of the TRICARE Standard NAS requirement has become a "road paved with good intentions," but little more.

The rationale for a complete waiver of NAS requirements is compelling. By choosing to remain in Standard, beneficiaries are voluntarily accepting higher copayments and deductibles in return for the freedom to choose their own providers. The Coalition appreciates that the intent of the NAS system, when CHAMPUS was an evolving program, was to maximize the use of MTFs. However, when TRICARE was created, it offered beneficiaries a choice in how to exercise their health care benefit.

The Coalition is pleased to note that the TRICARE Reserve Family Demonstration Project (TRFDP) provides for increased access to health care for family members of activated reservists and guardsmen – including a total waiver of NAS requirement for ALL inpatient services. While this group of beneficiaries is most worthy of a robust health care benefit and deserves to maintain established relationships with their health care providers, the Coalition believes this benefit should be extended to all uniformed services beneficiaries -- active duty and retired -- as well.

DoD must honor the decision made by beneficiaries and not insist that they "jump through administrative hoops" to exercise this choice, particularly since most care in MTFs and clinics is being given on a first priority basis to Prime enrollees anyway. More importantly, this capricious policy frequently denies TRICARE Standard beneficiaries, who have chosen the more expensive fee-for-service option, one of the most important principles of quality health care, continuity of care by a provider of their choice.

The Military Coalition strongly recommends that all requirements for Nonavailability Statements be removed from the TRICARE Standard option and that all waivers be eliminated, effective upon enactment.

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, there is no government cost-share for the premiums. This is a significant dissatisfier for retired beneficiaries. 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 is an important feature that should be made more consistent across all categories of beneficiaries.

Another problem with the TRDP is that it is only available within the continental United States (CONUS). The Coalition requests that the Subcommittee extend the TRDP to uniformed services beneficiaries residing overseas.

The Coalition requests that the government provide a subsidy for retiree dental benefits and provide an OCONUS retiree dental benefit.

Commonwealth of Puerto Rico CONUS Designation

The Commonwealth of Puerto Rico is included in the TRICARE Overseas Program, which means TRICARE Prime is available only to active duty servicemembers and their families. Retirees living in Puerto Rico are excluded from this benefit. Under OCONUS regulations, the more expensive TRICARE Standard is the only available option for retired military personnel, their families and survivors. DoD has very limited direct care facilities, a limited benefit structure, and a severely limited contract provider network to serve this growing population.

In addition, the TRICARE network pharmacies in Puerto Rico only serve the active duty population. The retiree population does not have access to network pharmacies, so they must rely on the National Mail Order Pharmacy (NMOP) or pay the higher cost of using non-network pharmacies. Because Medicare is provided as a benefit in Puerto Rico, TFL beneficiaries can participate in the program, but they still are subject to the serious pharmacy limitations.

In light of the large number of retiree beneficiaries residing in Puerto Rico and the importance of the Commonwealth as a source for recruitment and an initiative for retention, The Coalition urges the Subcommittee to support inclusion of the Commonwealth of Puerto Rico with the CONUS for TRICARE purposes

Tax Relief for Uniformed Services Beneficiaries

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 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 H.R. 2125, introduced in the 1st session of the 107th Congress, 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. H.R. 2125 would extend the same privilege to all active and retired servicemembers and federal civilians that is now enjoyed by current Federal workers. The Coalition hopes that the subcommittee will lend its support to this legislation and help ensure equal treatment for all military and federal personnel.

The Coalition strongly supports a first dollar tax exemption or credit for premiums paid for health, dental or long-term care insurance products, as well as for TRICARE Prime enrollment fees.

The Coalition urges the Subcommittee to support HR 2125 to provide uniformed services beneficiaries a tax exemption for premiums paid for TRICARE Prime enrollment fees and Standard supplements.

Custodial Care

Once again, the Coalition thanks the subcommittee for including provisions in the FY 2000 and FY 2001 Defense Authorization Acts a definition of Custodial Care that meets industry standards to provide medically necessary care. While the requirement still has not been fully implemented across all TRICARE Regions, it is slowly being put into place. Without Congress' intervention, DoD would have maintained its "unique" definition of medically necessary care for beneficiaries considered as custodial patients. The result would have meant cost shifting to Medicaid, loss of medically necessary care for the most vulnerable of the DoD beneficiary population, or both.

The Coalition remains committed to following closely the new program mandated by PL 107-107 and we urge continued oversight by Congress to monitor implementation and its impact on all classes of beneficiaries.

The Military Coalition recommends Congress provide 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 new legislation upon all beneficiary classes and that Beneficiary Advisory Groups' inputs be sought in the development of implementing regulations.

Health Care Coverage for Reserve Component Members and Their Families

Continuity of health care coverage is increasingly important to Guard and Reserve servicemembers and families activated in support of counter-terror or other operations. 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.

For Reserve families fortunate enough to have employer-based health insurance, coverage can be dropped during an extended activation. And, although TRICARE "kicks in" at 30 days activation, many Guard and Reserve families would prefer continued access to their own health insurance providers. Being dropped from private sector coverage as a consequence of extended activation adversely affects family morale and "readiness" and discourages some from reenlisting.

Positive steps were taken in 2001 to address this issue, and TMC is appreciative of the leadership shown by DoD and Congress in this regard. First, DoD signaled there was indeed a problem by changing the department's policy for its reservist employees: DoD now pays employee premiums under the Federal Employee Health Benefit Program for reservist-employees activated for extended periods. Then, the Subcommittee endorsed a change in law subsequently included in the FY2002 NDAA that authorizes other federal agencies to pay the FEHBP premiums for their employees called up for more than 30 days. But these welcome new protections only potentially affect about 10% of the approximately 880,000 members of the Selected Reserve.

Another provision included in the NDAA extends post-activation TRICARE coverage for Guard and Reserve servicemembers being released after an extended period of active duty. This is certainly encouraging progress, but TMC believes more needs to be done to assist Guard and Reserve servicemembers who are being called upon to support the two-front war on terrorism.

The following initiatives would further expand the health care safety net for the Guard and Reserve:

- Establish TRICARE “wraparound” coverage as an option for reservists on a cost-share basis in “peacetime” and further expand TRICARE “COBRA” coverage for up to one year after deactivation;
- Amend the TRICARE Prime Remote for Family Members law to allow reservist family members not residing with their mobilized sponsors to participate in TPRFM.

The Military Coalition urges the earliest possible action to ensure an adequate health coverage “safety net” for National Guard and Reserve members and families.

FEHBP-65 Demonstration

By way of background for new Subcommittee members, the Coalition wishes to update the Subcommittee about the provision in the FY1999 Defense Authorization Act that directed the Defense Department to allow up to 66,000 Medicare-eligible uniformed service beneficiaries to enroll in the Federal Employees Health Benefit Program (FEHBP-65) at six to ten sites around the country. The FEHBP-65 demonstration was programmed to run from Jan. 1, 2000, through December 31, 2002.

During the first enrollment period, about 2,500 beneficiaries enrolled, and at the Coalition's request, this Subcommittee supported an effort to expand the demonstration to two additional sites with beneficiary populations of 25,000 or more. During the second open enrollment period (November 2000), enrollments tripled from the year before and more than 7,500 Medicare-eligible service beneficiaries enrolled in FEHBP-65.

As we anticipated, many of those beneficiaries have rethought their FEHBP enrollment since enactment of TRICARE For Life. As of January 2002, 4,508 beneficiaries remain enrolled for this calendar year. Of those, 2,861 are residents of Puerto Rico, where access to pharmacy and other TRICARE programs are limited for retirees. The other 1,647 beneficiaries are experiencing circumstances under which continuing to pay thousands of dollars per year in FEHBP premiums is preferable to alternative TRICARE options. Based on member comments, we suspect many participants have encountered difficulty finding a TRICARE-participating provider.

The Coalition is concerned about disrupting continuity of health care for the remaining FEHBP-65 beneficiaries when the FEHBP-65 demonstration concludes at the end of 2002. We believe the remaining enrollees are those who will have difficulty securing access to military health coverage if their eligibility for FEHBP participation is discontinued.

Considering TRICARE For Life (TFL) costs that will be foregone, the cost to the government of continuing their eligibility is very modest, while yielding very positive continuity of care benefits for the beneficiaries affected.

The Coalition understands that maintaining a separate demonstration program for such a small population could pose a considerable administrative challenge. But discussions with the Office of Personnel Management and other interested parties has led us to believe that there would be no objection from the federal civilian community to allowing this small number of remaining enrollees to convert their current participation to the normal FEHBP plan, as if they were retired federal civilian employees. The Coalition believes this option offers a reasonable option to end the FEHBP-65 demonstration and still preserve essential continuity of care for this small group that is so obviously concerned about the availability of other coverage options.

The Military Coalition urges the Subcommittee to work with its Government Reform Committee counterparts to authorize remaining FEHBP-65 demonstration enrollees to convert to regular FEHBP coverage.

CONCLUSION

The Military Coalition would like to reiterate its profound gratitude for the extraordinary progress this Subcommittee has made in seeking to restore health care equity for all uniformed services beneficiaries, particularly those who are Medicare-eligible. The Subcommittee's efforts to authorize the implementation of TFL and TSRx are giant steps toward honoring the lifetime health care commitment. With minor refinements, TFL should provide a comprehensive and equitable health care benefit for all Medicare-eligible beneficiaries

But much work remains to be done with the TRICARE program. More urgent effort is essential, both by Congress and DoD, to enable TRICARE to attract and retain quality health care providers; to ensure prompt upgrade of the claims processing system; to

reduce or eliminate preauthorization and NAS requirements; and to deliver a more uniform health care benefit across all ages and geographic areas.

CLOSING STATEMENT

Thank you very much for the opportunity to present the Coalition's views on these critically important topics. We look forward to addressing further details of these and other issues with you and the Subcommittee staff.