



Military Officers Association of America Retiree Appreciation Day Legislative Update



Presented by
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Before we say anything else...

To All of You Who...
are wearing the uniform...
have worn the uniform...
supported your Service member...

THANK YOU!

The Military Coalition

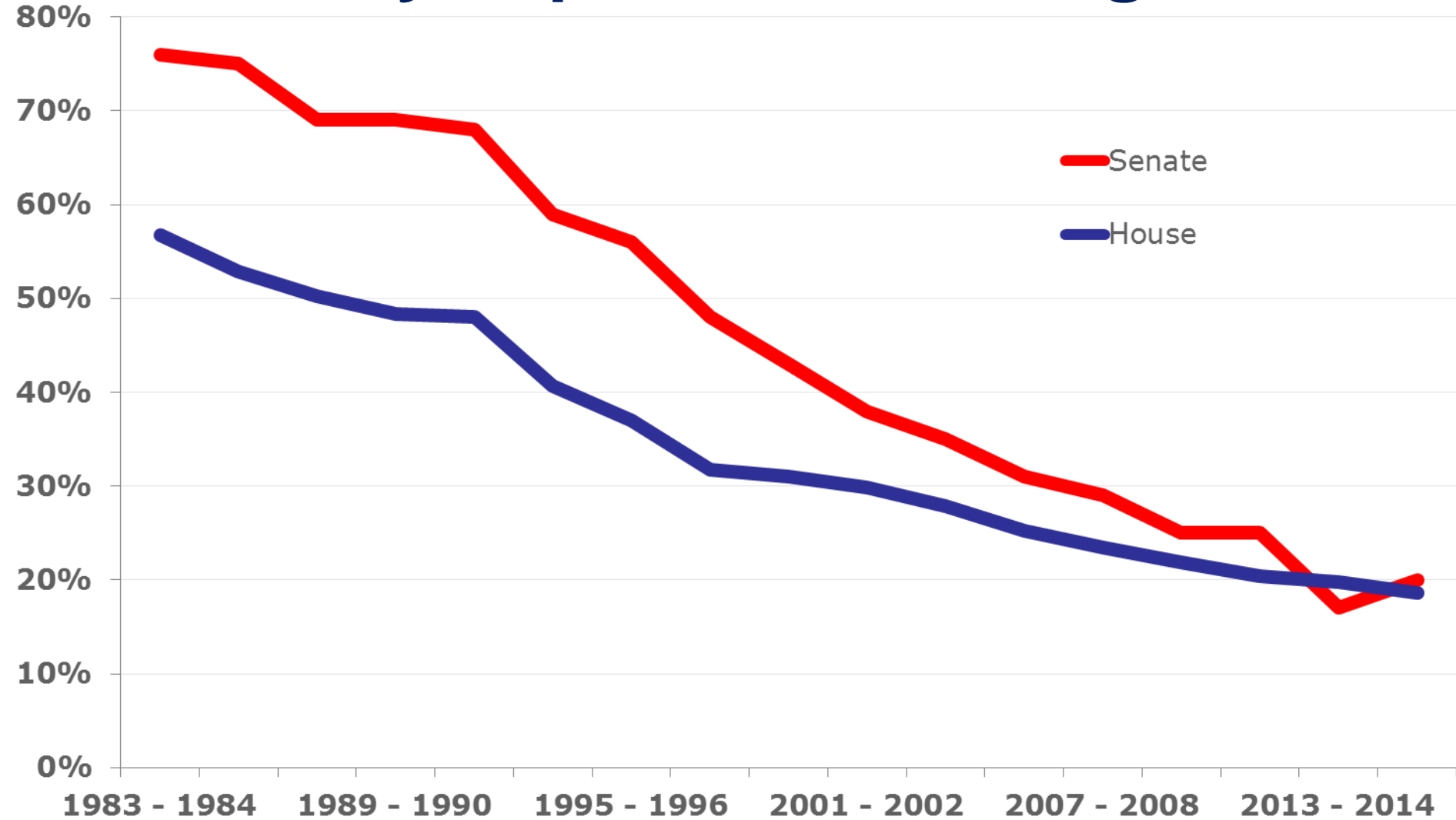
31 Associations

AAAA	COA	MCRA	NGAUS
AFA	CWOA	MCA	ROA
AFSA	EANGUS	MOAA	TREA
AFWOA	FRA	MOPH	USCGCPOA
AMSUS	GSW	NAUS	USAWOA
AMVETS	IAVA	NMFA	VFW
AUSA	JWV	NCOA	VVA
AUSN	MCL	NERA	

Some Legislative History



Military Experience in Congress

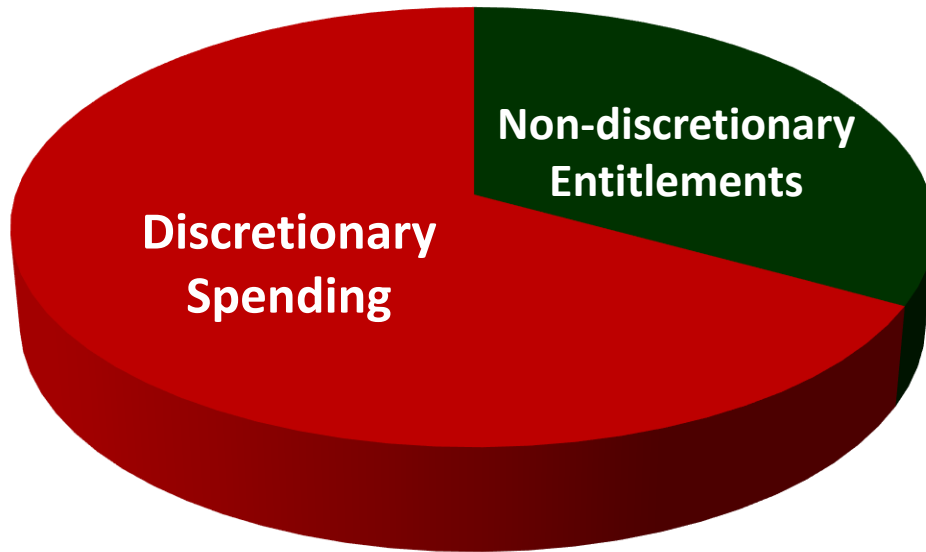


	1991-1992	1995-1996	1999-2000	2003-2004	2005-2006	2007-2008	2009-2010	2011-2012	2013-2014	2015-2016
Senate	68%	56	43	35	31	29	25	25	19	20
House	48%	37	31	27	25	23	22	20	19	18

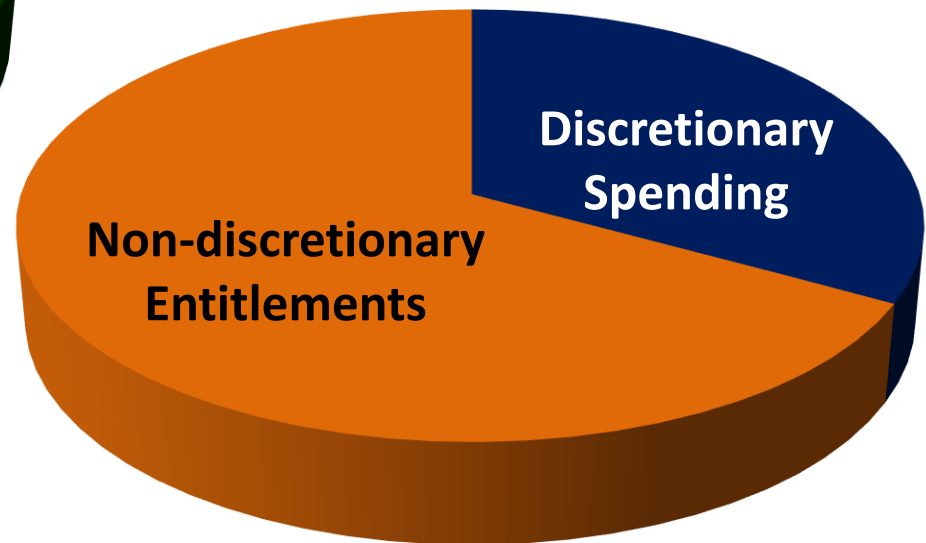


Where the Fed Money Goes

1965



2016



“Discretionary spending now makes up only about a third of the federal budget, with the remaining two-thirds coming from entitlement programs and other "mandatory" spending, according to figures from the **House Budget Committee**. And it wasn't always so. In 1965, those ratios were almost precisely reversed, with entitlement money making up just a third of the budget, committee figures show.”
Congressional Quarterly 5Feb16 “Evading the Elephant”

15 Years of Wins

- **Major Pay Raises for Currently Serving**

- 14% extra; up to \$10,000 extra pay per year today; extra \$4600 per year in retired pay

- **Survivor Benefit Upgrades**

- Ended Social Security offset; up to \$9000 extra pay per year –PLUS SSIA

- **Defeated Major TRICARE Fee Hikes**

- Stopped TFL annual fee; saved up to \$3200 over 5 years
- Stopped Tricare Prime fee increases; saved \$4600 over next 5 years
- Stopped Tricare Standard fee increases; saved \$1600 over next 5 years

- **TRICARE For Life/TRICARE Senior Pharmacy**

- TFL eliminated need for Medicare Supplement; saved up to \$5000 per year
- Reduced pharmacy costs potentially into the \$1000s

- **Concurrent Receipt**

- extra pay up to \$35,000 per year for 100% rated; up to \$13,200 for 60% rated



15 Years of Wins

- **Major Post 9-11 GI Bill with transferability option**
 - Seriously?! Have you checked college costs lately? This is an incredible benefit.
- **Stopped privatization and substantial cuts to commissaries**
- **Reserve TRICARE Coverage (& Premium Cut)**
- **Wounded Warrior Protections**
- **Caregiver Enhancements**
- **G/R Retirement Age Credit for AD Svc**

What would have been the case if no one advocated for military members?



Where Did the Wins Get Us...

15 Years of “Wins”

- **We fixed years of previous budget cuts**
 - **Fixed** - 13.5% pay gap
 - **Fixed** - 25% reduction in retirement value
 - **Fixed** - 19-20% out-of-pocket housing costs
 - **Fixed** - Ability to recruit and retain
 - **Fixed** - Healthcare for 65 years old & older
- **DOD spin:**
 - **Slow the growth and Overshot the mark**
 - **Referencing: growth since 2000**

Per DOD: “Slow the Growth”

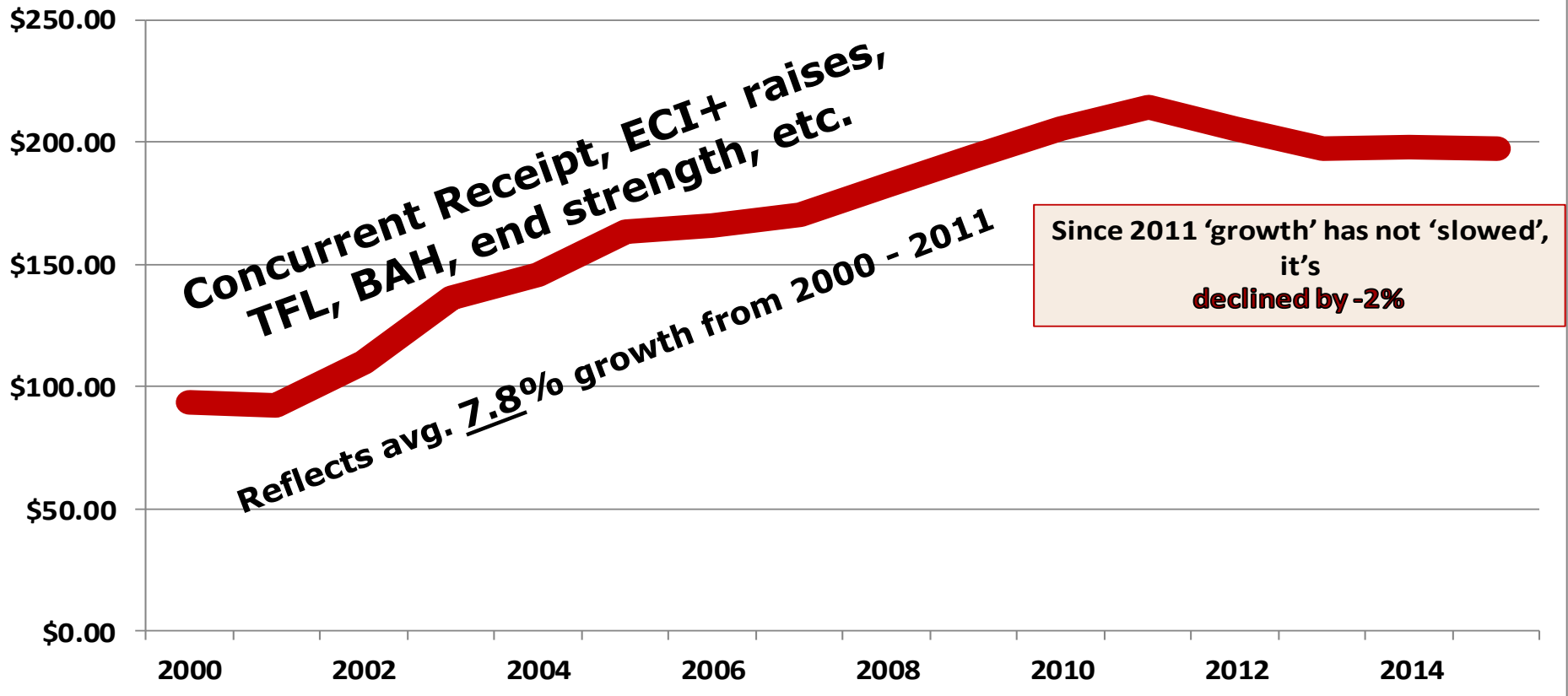
Growth hasn't just “slowed” ...

It's declined to -2% per year avg

- **16% TRICARE Prime fee increases with future increase tied to COLA**
- **Pharmacy increases with increases tied to COLA**
- **Mandatory mail-order expanded to all**
- **End strength cuts: 124K and additional 78K+**
- **Pay raises since 2010 averaged 1.4% with 1% in 2014 & 2015; 1.3% 2016 -- lowest in 50 years**

Personnel/Health Care Growth Rate

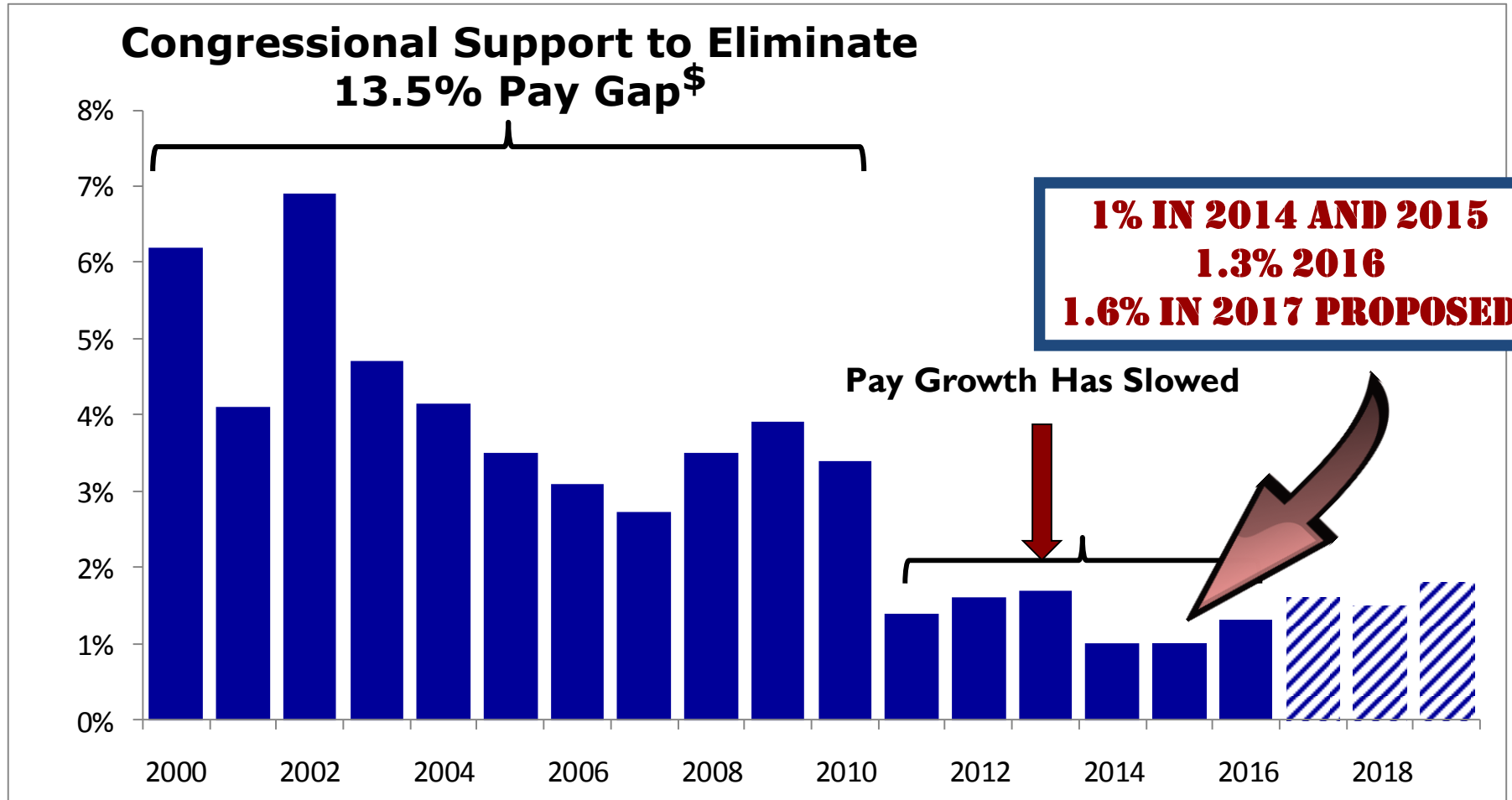
Defense Personnel and Health Programs



Outlays in \$ Billions
Source: OMB historical tables



Military Pay Raises Since 2000



^{\$} Pay gap per Employee Cost Index (ECI)

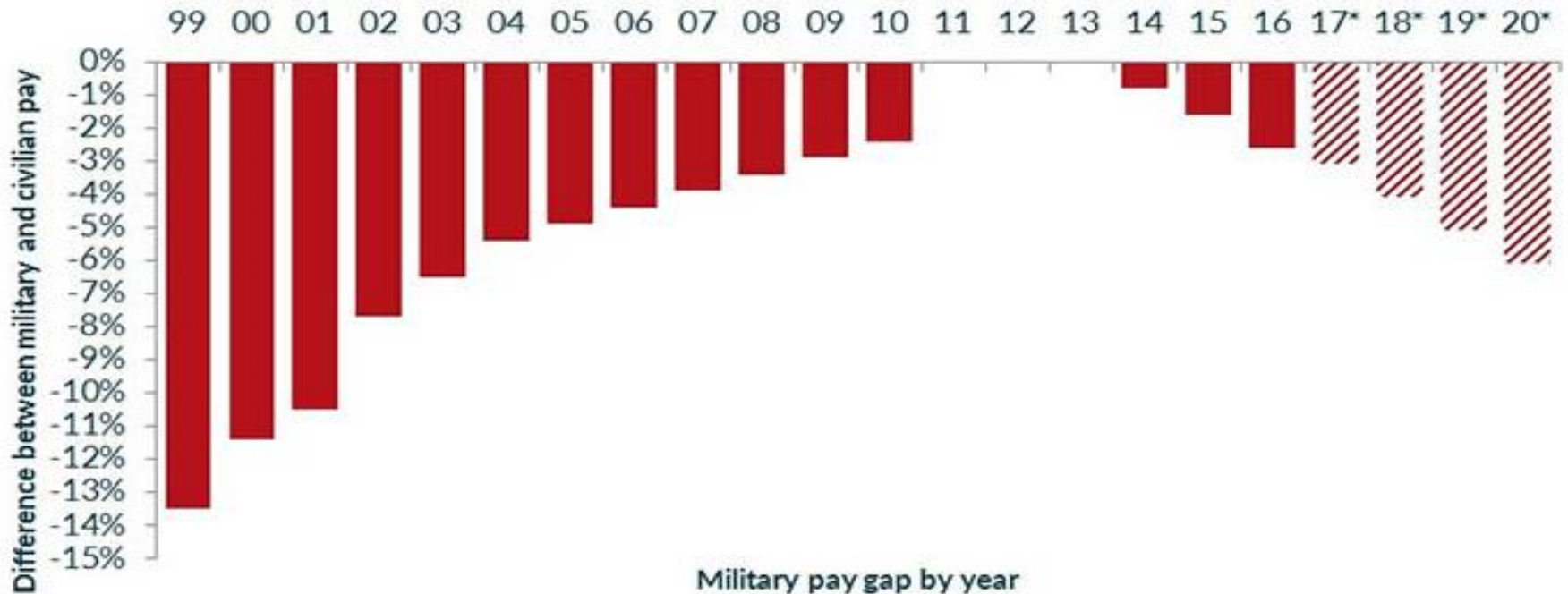
- FY2016 required a 2.3% raise to get back to ECI; got 1.3%
- FY2017 proposed 1.6%--should be 3.1% for ECI

Here We Go Again...

Military Pay Falling Behind

History Repeating

After a decade of hard work by Congress to eliminate a 13.5% pay gap, military pay raises are once again falling behind those of the private sector.



* Dept. of Defense proposal



Military Retirement “Modernization”


The New Retirement Program

Reduced retirement benefit for years of service

- 20% decrease in retirement benefit
 - 40% base pay for 20yos instead of 50%
 - 60% at 30yos instead of 75%
 - Lifetime earnings substantially reduced

Thrift Savings Program (TSP)

- Adding bonuses and matching contribution
 - Match 1% automatic
 - Up to 4% more starting in 3yos thru 26yos
 - Bonus at 12yos
 - Vested in 3yos



Legislative Arena Going Forward

FY 2017 Defense Budget Proposals



Decisions, Decisions

- **President/DOD budget proposals assume**
 - Efficiency reforms to cut budget costs in:
 - Health care
 - Base closings
 - Retiring existing platforms
- **However, these issues are political hot potatoes**
- **Forcing cuts in other areas**
 - **AKA benefits and people issues**

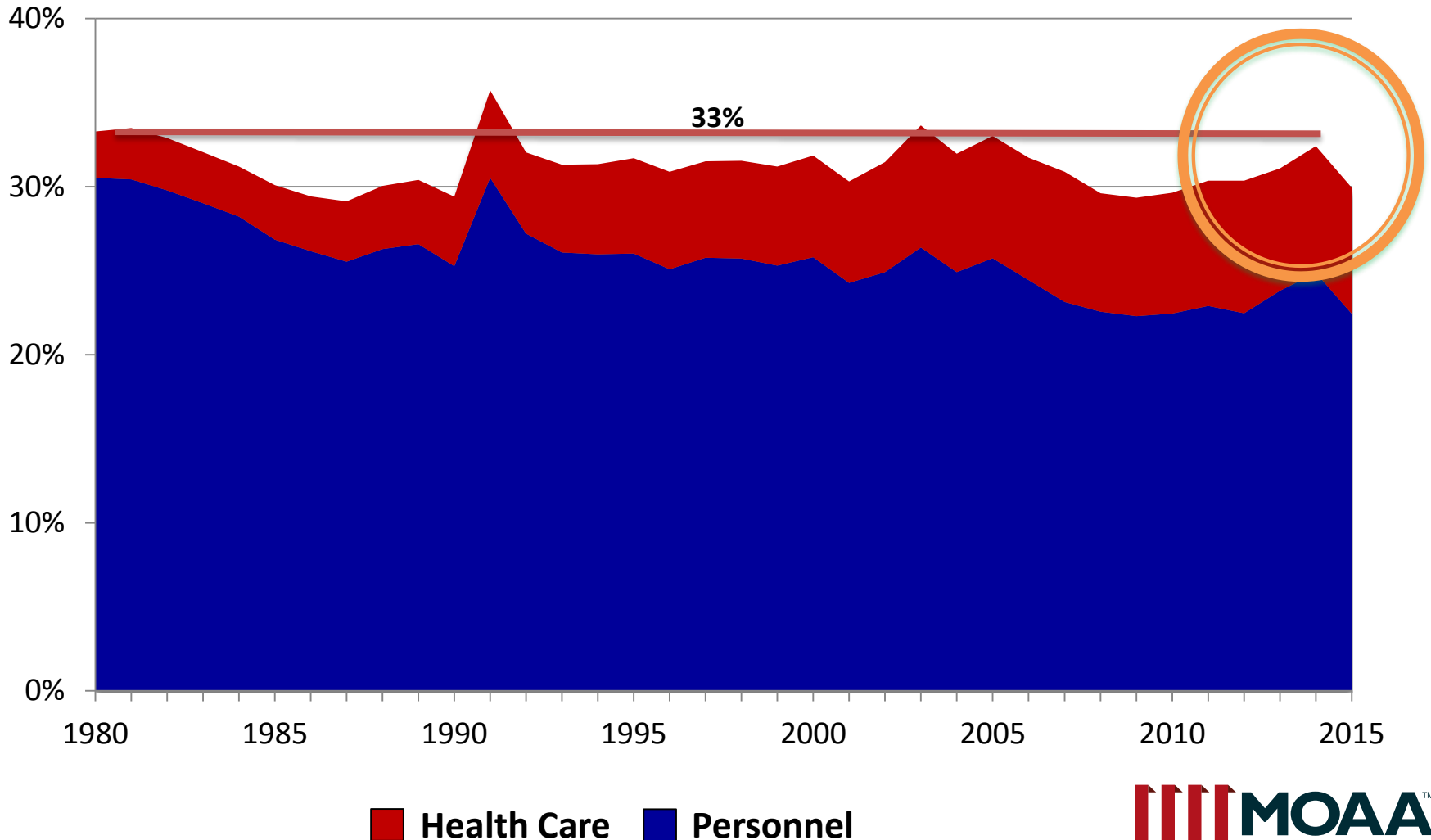


Healthcare; The Major Offensive



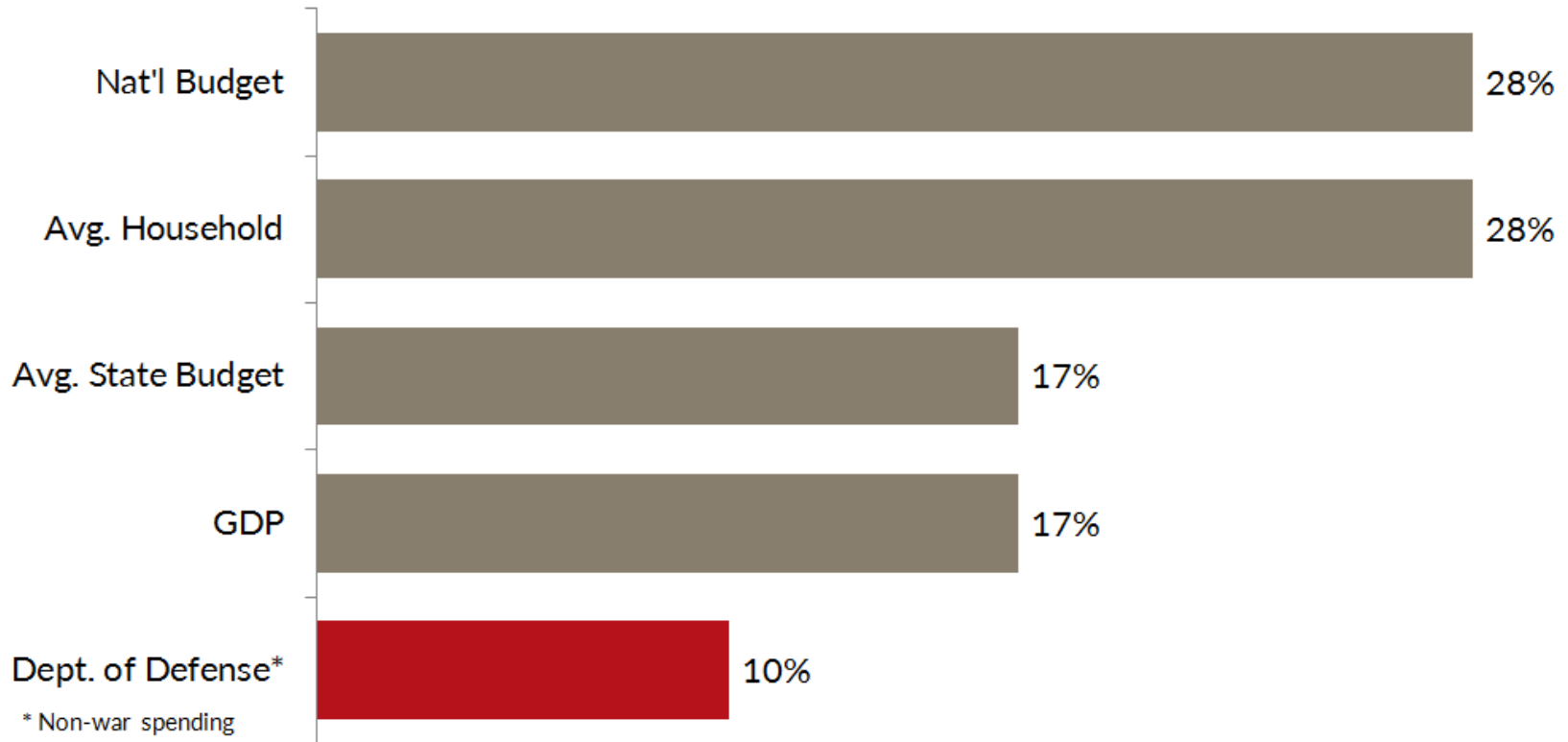
Military Personnel Costs Aren't Exploding

About one-third of the defense budget goes to military personnel and health care costs – the same share it has been for more than 35 years. That's no more unaffordable now than in the past.



Health Care Costs in Perspective

Health Care Spending As A Percentage Of The:



Source: Center for Medicare and Medicaid Services (CMS) National Health Care Expenditures for 2014

The FY2016 Budget...We Were Told: Focus on Reforms for Tricare

- Fix access problems
- Continuity of care issues
- Referral program
- Guard and Reserve programs
- Numerous management and process improvements

All good initiatives. We agree. Increase efficiencies.

What's being proposed for FY2017?

Fee increases! With no customer improvements.

DOD TRICARE Proposal

Current Retiree Under Age 65 – Family rates

	Existing Prime	Existing Standard
Annual Enrollment Fee	\$565	\$0
Doctor Visit Copays	\$12	\$0
Deductible	\$0	\$300
Cost shares	0	80/20%
Catastrophic Cap	\$3000yr	\$3000yr

DOD Tricare Proposed Options

For retirees under age 65

	Tricare "Select" MTF based	Tricare "Choice" Civilian Docs
Annual Enrollment Fee	\$350 ind / \$700 fam	\$450 ind / \$900 fam
Doctor Visit Copays	On Base – retiree none Beneficiaries - \$20 or \$25 Specialty care - \$30 or \$35 Emergency Rm - \$75	Emergency Rm - \$90
Deductible (out network)	\$300 ind / \$600 family	\$300 ind / \$600 family
Cost shares		25%
Catastrophic Cap	\$4000yr	\$4000yr
Establish Open Season	Annual enrollment or forfeit	Annual Enrollment or forfeit
Medical COLA increases	Based on medical inflation rates (est 6.2%)	Based on medical inflation rates (est 6.2%)

Proposed DOD TRICARE Proposal

TFL Annual Enrollment Fee (Family of Two#)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
% of Retired Pay	0.5%	Increasing each Year			2%
Ceiling	\$150	Increasing each Year			\$632

Individual fee is half of family fee—1% 2019

• Fees for FY19 and beyond are indexed to COLA

Current enrollees grandfathered



TRICARE Proposal

Pharmacy Increases

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	
Retail (30 day)							
	Walmart						
Generic	\$8	\$4	\$10	\$10	\$10	\$11	?
Brand	\$20	\$13	\$24	\$28	Increasing to \$45+ in 2026		
Non-Form*	\$47		\$50	?	?	?	?
Mail Order (90 day)							
Generic	\$0	\$10	\$0	\$0	\$0	\$0	\$11
Brand	\$16	\$24	\$20	\$30	\$32	\$34	\$36
Non-Form	\$46		\$49	\$58	\$62	\$66	\$70
MTF On Base	\$0	0	0	0	0	0	\$0

Other FY2017 Issues



Commissary Update

- FY2016 **proposed** Defense budget
 - **Privatize** the military commissary system over several years--**\$1B budget cut from \$1.4B total budget**
- FY2016 defense budget **actually** approved:
 - Commissary budget cut \$30M
 - Make “budget neutral” by FY2018
 - Establish pilot programs to achieve budget neutral
 - DOD must: maintain high customer satisfaction, high product quality, customer savings
- Writing is on the wall...**FY2017 \$200M cut**
- MOAA testimony stated: “... grocery savings at the commissary provide the equivalent of a 9 percent pay raise for an E-5 family of four with 8 years of service.”

Housing Allowance

Phased-in reduction to Basic Allowance for Housing (BAH)

- 1% less BAH for next 5 years
- Total 5% decrease in BAH



The VA — A Positive Story

The VA's budget up 86% since 2009

- Improvements include:
 - More responsive systems
 - Disability compensation
 - Protections against government shutdowns
 - New health care services
 - Medical advancement appropriations
 - VA Choice Program improvements

Have patience...

Concurrent Receipt

Full Payment of Retired Pay and VA Compensation



Retiree Tax on the Disabled

Thousands of disabled retirees forced to fund their own VA disability compensation

Lose \$1 retired pay for each \$1 from VA

Concurrent Receipt

How it Works

CR – restoration of vested retired pay due to years of service

Without CR

Retired pay
- VA Waiver
Net Retired Pay
+
Full VA comp
**Total
compensation**

Without CR

<50% VA rating or
<20 years of service
No Service combat rating

With CRDP

Retired pay
- ~~VA Waiver~~
Full Retired pay
+
Full VA comp
**Total
compensation**

CRDP

50%(+) VA rating and
20(+) years of service
Automatic approval

With CRSC

Retired pay
- VA Waiver
Net Retired pay
+
Full VA comp
+
CRSC Check
**Total
compensation**

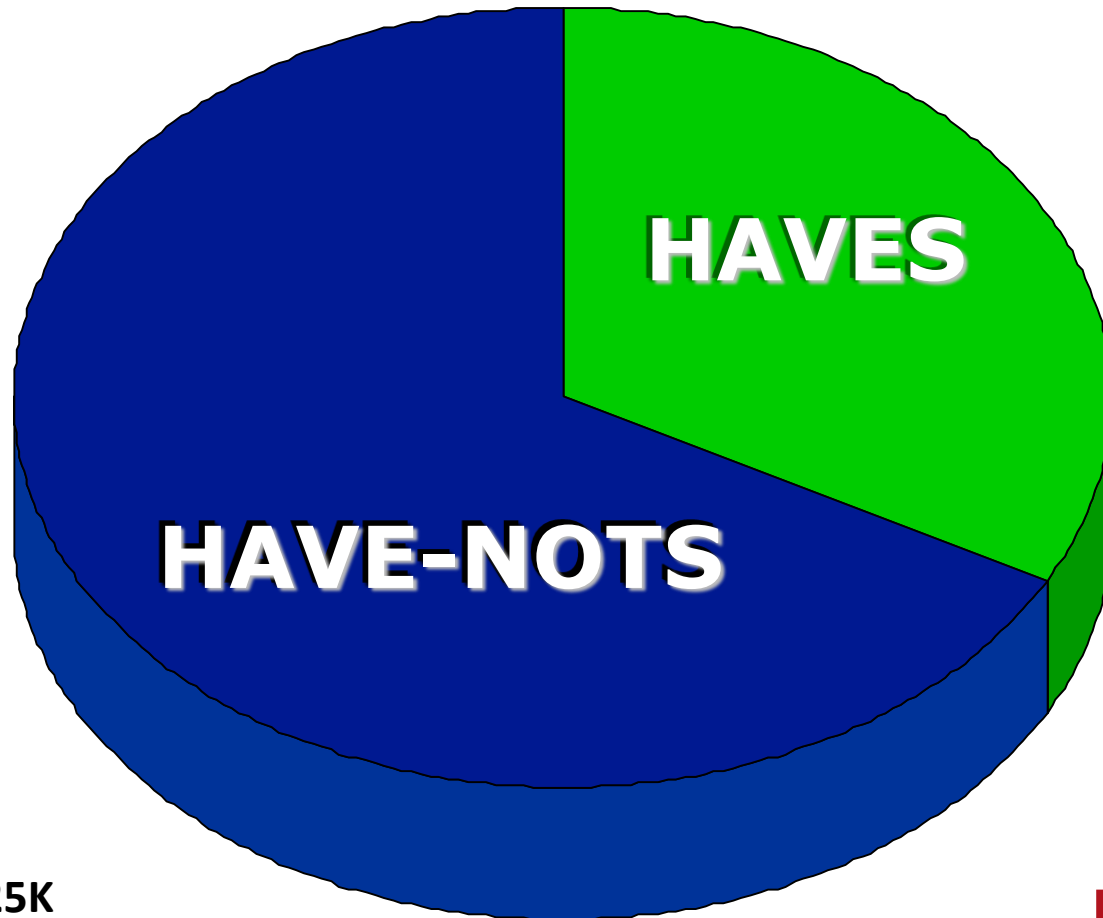
CRSC

Any VA rating
Any years of service
Must be combat rated
by applying to Service

Congress Has Fixed For Some

	<u>Combat Related</u>	<u>Non-Combat Related</u>
20+ Yrs/100% and IUs	Yes	Yes
20+Yrs/50+% Disability	Yes	Yes
20+ Yrs/0-40% Disability	Yes	No
Under 20 Yrs—Med Retire	Yes	No

Concurrent Receipt Haves vs. Have-nots



Approx. 825K
eligibles

Survivor Benefit Program (SBP)



SBP Still Not Fixed

- **Social Security Offset was eliminated...**
- **The SBP-DIC Offset was not.**
- **Offset is dollar-for-dollar:**

Special Survivor Indemnity Allowance (SSIA)

FY2014 - \$100 month

FY2015 - \$200

FY2016 - \$275

FY2017 - \$310

Ends in FY2018

$$\begin{array}{r} \$SBP \\ - \underline{\$DIC} \\ \text{SBP "Benefit"} \\ \rightarrow + \underline{\$SSIA} \\ \text{Max Benefit} \end{array}$$

SBP-DIC Offset

- SBP & DIC Paid for Different Reasons
- SBP is Purchased Insurance
- DIC Should Be Added Indemnity for Service-Caused Death
- Survivors of Fed Civilian-Vets Don't Forfeit Civilian SBP When DIC Payable

DOD Proposal for SBP to Eliminate the SBP-DIC Offset

Survivor benefit – Your choice:

- SBP with a future DIC offset, premium 6.5% of retired pay
- SBP without future DIC offset, premium 11.25%

SBP Updates

Special Needs Trust and Former Spouse Issues

Special Needs Trust

- Law now allows for SBP beneficiary payments to be paid to a Special Needs Trust for incapacitated children
 - Previously, payments could only be made to a person

Former Spouse

- Law now allows a SBP beneficiary change from Former Spouse to Spouse if the Former Spouse beneficiary dies
 - Previously, a Former Spouse beneficiary who died cancelled the SBP for the military member

Cost of Living Adjustment (COLA)



Where's the COLA?

Fiscal Year	Percent Increase
2013	1.7
2014	1.5
2015	1.7
2016	0
2017	0 so far

Based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W)





**The Dirt Simple Way
to
Contact Your Politicians**



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2015 WARRIOR-FAMILY SYMPOSIUM
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DON'T C TROOPS' PAY RAISE

It looks like the president will use his executive authority to limit the 2016 military pay at 1.3 percent, rather than the 2.3 percent provided under current law. This will be the third consecutive year of capping military pay. Ask your legislators to preserve the 2.3 percent military pay raise.

TAKE ACTION NOW!

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FEATURED ALERT

ACT NOW TO BLOCK BIG RX FEE HIKES

Congress is considering drastic pharmacy fee increases for servicemembers and retirees. Pharmacy fees will increase 66 to 75 percent. This is not right. Tell your elected officials to block this provision in the defense bill. ...

[Take Action](#)

LEGISLATIVE ALERTS AND UPDATES

Don't Cut the Troops' Pay Raise

It looks like the president will use his executive authority to limit the 2016 military pay to 1.3 percent, rather than the 2.3 percent provided under current law. This will be the third consecutive year of capping military pay. Ask your legislators to preserve the 2.3 percent military pay raise.

...

[Take Action](#)

Reject Military Pay and Benefits Cuts

Lawmakers failed to complete the FY 2016 defense bill before the August recess, giving you more time to make sure your elected officials know where you stand. ...

[Take Action](#)

[Act Now on TRICARE, Pay, and Housing](#)

[Ask Congress To End Sequestration Now](#)

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EVENTS

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PUBLICATIONS

ABOUT MOAA

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Issues and Legislation

Current Action Alerts

Congress:

- Act Now to Block Big Rx Price Hikes
- Don't Cut the Troops' Pay Raise
- Reject Military Pay and Benefits Cuts
- Act Now on TRICARE, Pay and Housing
- Ask Congress To End Sequestration Now

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Summaries and status information about key bills



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EVENTS

TAKE ACTION

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Home

Elected
Officials

Issues &
Legislation

Elections &
Candidates

Media
Guide

Legislative Alerts and Updates

• Current Legislation

• Key Votes

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Current Legislation

Key Bills in Congress

Survivor Issues

Bill Name	Number of Sponsors	Position
S. 979 - Eliminate the SBP-DIC Offset	11 (5 R, 6 D)	WE SUPPORT this legislation
H.R. 1594 - Military Surviving Spouses Equity Act	157 (83 R, 74 D)	WE SUPPORT this legislation

Retirement Issues

Bill Name	Number of Sponsors	Position
S. 271 - Retired Pay Restoration Act	22 (3 R, 11, 18 D)	WE SUPPORT this legislation
H.R. 333 - Disabled Veterans Tax Termination Act	70 (20 R, 50 D)	WE SUPPORT this legislation
H.R. 303 - Retired Pay Restoration Act	89 (50 R, 39 D)	WE SUPPORT this legislation

Health Care Issues

Bill Name	Number of Sponsors	Position
S. 1641 - Jason Simcakoski Memorial Opioid Safety Act	16 (3 R, 11, 12 D)	WE SUPPORT this legislation

Military Officers Association of America

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