



**Testimony of**

**The National Association for Uniformed Services® (NAUS)**

**presented by**

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**before the**

**Task Force on the Future of Military Health Care**

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**National Transportation Safety Board**

**429 L'Enfant Plaza, SW**

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## Introduction

Mr. Chairman and Members of the Task Force, the National Association for Uniformed Services would like to express our gratitude for the opportunity to present testimony on the Department of Defense Health Care System.

The National Association for Uniformed Services thanks you for taking on the charge to evaluate and recommend alternatives to the proposed initiatives by the Department of Defense to address the current state of the military health care system.

## The Defense Blueprint for Military Health Care Raises Serious Concern

So much for once burned, twice shy.

Last year, Congress rejected the Pentagon plan to dramatically increase TRICARE fees and copays for pharmaceuticals for 3.1 million retirees under age 65 and their families.

This year, acting as though nothing intervened, the Pentagon has come right back to leave a \$1.8 billion hole exactly where military retirees and their families thought their earned healthcare benefits were.

Recently the *Boston Globe* ran a story depicting our defense budgeters in serious worry that the cost of retiree benefits would strip available funding for the military's ability to wage war. Not too long ago, the Pentagon's undersecretary for personnel and readiness, David Chu, said that the costs of earned benefits "have gotten to the point where they are hurtful. They are taking away from the nation's ability to defend itself."

Our members tell us that it is hard to imagine anything being said with more callous disregard as the apparent statement from their government that the benefits earned in honorable military service threaten our national security. It raises serious concern about the direction we are taking on the way forward because we know that the brave men and women who served this country are not the enemy of national security.

The National Association for Uniformed Services finds it very difficult to hear top officials seeming to say to those who wore the uniform 30 years ago or so that they now have to pay more for the promises made for a career in uniform, especially now that the job is done and they are out of our military.

To keep the promise and achieve these savings, Defense officials want you to sanction its proposal to triple annual enrollment fees for TRICARE Prime for officers to \$700 from \$230 a year for individuals and to \$1,400 from \$460 per year for families. For retired E-6 and below, the fee would jump fifty percent to \$325/\$650 from \$230/\$460. For E-7 and above, the jump would more than double to \$475/\$950 from \$230/\$460. For surviving spouses and some disable retirees, the increased TRICARE fee would amount to an even greater proportion of its budget.

The defense budget also suggests your agreement on the establishment of a TRICARE Standard enrollment fee and an increase in the annual amount of deductible charges paid by retirees using Standard coverage. The Standard beneficiary already pays a 25 percent cost share (and an added 15 percent for non-participating providers). Should the DoD request to increase deductibles and initiate an annual fee be approved, the value of the benefit earned by military retirees using Standard would be greatly diminished.

DoD officials also recommend that you approve its changes in TRICARE retail pharmacy copayments. The plan calls for increasing copays for retail generic drugs to \$5 from \$3 and for retail brand drugs to \$15 from \$9. The copayment for non-formulary prescriptions would remain at \$22, Dr. Winkenwerder recently suggested that he would appreciate your ideas on jumping that up a few levels, too. These changes would affect all TRICARE participants.

The assertion behind the proposals is to have working-age retirees and family members pay a larger share of TRICARE costs or use civilian health plans offered by employers. Frankly, we are deeply troubled that DoD would aim to discourage retirees from using their earned benefits with the military medical system.

The National Association for Uniformed Services is certainly not comfortable with DoD estimates that by 2011, if the changes were made, 144,000 retirees currently enrolled in the TRICARE programs would bail out and go to a State or private plan and an estimated 350,000 people who earned the benefit would never come into it.

If successful, the DoD plan would drive half a million people to make a choice that they might otherwise not want to make. What these estimates tell us is that nearly 500,000 retirees think the \$1.8 billion plan is unfair or unbalanced. It is not only an extremely poor way to treat military families in times of peace or war; it would push half-a-million retirees out of TRICARE.

According to the Pentagon, another key point behind its plan is that the proposed TRICARE changes would “ensure US military capability and national defense,” since dollar “savings” would be applied directly to critical military requirements. In other words, benefits earned in career military service must be “choked back” because their costs threaten our national security.

Is the defense leadership actually saying that the price we pay is more than the value our nation received from those who served 20 years or more?

What we see and hear disturbs us, because it is inconceivable that the Department of Defense would propose tripling health care premiums for certain military retirees under TRICARE as a means to help meet the costs of providing for our national defense. We believe the TRICARE increases are excessive by any measure. If this plan were enacted, it would demonstrate that the promised earned benefits of a military career are not viewed as a priority.

Many of our members express serious concern about the future decisions of the Task Force. They tell us that they believe this panel is chosen by DoD, hand-selected, to endorse the Pentagon plan for steep increases. They tell us very frankly that in reading reported remarks made by panel members, it seems the panel may be predisposed toward higher fee increases.

It is imperative that this panel does the right thing. To do otherwise would send the wrong signal to those who now serve and have served in America's Armed Forces, especially in a time of war. Approving such a message would not be well received by the military community, and would, if adopted, adversely influence retention and recruitment.

## **Budget Priorities**

It is clear to the National Association for Uniformed Services that if our national leadership cannot meet the benefits military retirees earned and richly deserve within a \$2.9 trillion budget, then something is desperately wrong with the priorities being selected.

Our members witness that there is enough money to spend on the Professional Golfer's First Tee Program, Puxatawney Phil's Ground Hog Day, the Rock and Roll Hall of Fame Museum, the Cowboy Museum and other projects too numerous to list. Money was even directed to establish a Tropical Rain Forest under a dome in Iowa and to subsidize the GRAMMY Foundation, an organization run by millionaire record producers, recording “artists” and record manufacturers.

According to the Congressional Research Service, the number of earmarks has skyrocketed over the past years, from 4,126 in 1994 to 15,268 in 2005. While individually these earmarks may account for only a small fraction of federal spending, the total one-year cost was estimated at \$27.3 billion.

Incredibly, there are additional questionable spending priorities as we discuss military health care. What signal, for instance, is being sent when our government enacts a 4-year \$1 billion plan to pay the medical care costs for treating illegal aliens? Is it right to force the Pentagon to suggest that military retirees pay more for their earned benefits, while giving budget priority to those here illegally in the United States? Does illegal alien health care trump the healthcare benefit provided those who gave a lifetime protecting American freedom and preserving our way of life?

The National Association for Uniformed Services has faith in our leaders, but we are not blind. Before we begin whacking at our military's earned benefits, let us make certain that we use our best wisdom to select our most important programs over our lesser important ones. And let us not forget, we are at war.

If our defense budget is insufficient to cover our national security requirements, as the Joint Chiefs of Staff say it is, then why do we continue to spend billions on non-defense, non-federal and non-essential programs and projects. Let us work together to sort out the matter and use common sense to reach a balanced and reasonable analysis of the situation, especially when our courageous troops are engaged in battle overseas.

In this regard, it is important to point out that the current defense budget, at the height of the War on Terror, represents only a little more than 4 percent of the gross national product, as opposed to the average of 5.7 percent of GNP in the peacetime years between 1940 and 2000.

## **The National Association for Uniformed Services Asks Rejection of the DoD Proposed Increase**

Mr. Chairman, the National Association for Uniformed Services asks your Task Force to reject the DoD proposed increases and propose that adequate funding is provided to maintain the value of the healthcare benefit provided those men and women willing to undergo the hardships of a military career.

Your leadership is required to help demonstrate that the promised earned benefits of a military career remain a high priority.

Our country has asked these former soldiers, sailors, coastguardsmen, airmen, and marines to secure the blessings of freedom and protect our nation's interests. They have kept faith and kept a strong defense. And today we are better for it.

All we ask for is what is best for our former service men, women and their families and survivors. We believe that the way we treat them reflects well on those currently serving and those thinking about future service.

The National Association for Uniformed Services urges you to confirm America's solemn, moral obligation to keep the faith with our military retirees. They have kept their promise to our Nation, and now it's time for us to keep our promise to them.

## **Comparison with Civilian Plans**

The Department of Defense continues toward "civilianizing" the Defense Health Program (DHP) by enforcing "best business practices" upon its purchased care sector, through the hiring of civilian providers in the Military Treatment Facilities (MTF) and the original formation of the TRICARE Program to attempt to mirror the Federal Health Benefits Program.

The comparison of the two programs is totally inappropriate. Military service, endured for however many years in uniform necessitates a much more robust health care retirement benefit, than the average citizen would need. Our military retirees have earned and should expect a grateful nation to keep the promises made of low-cost or even free healthcare for life as a benefit for their many years of dedicated service. Family members, who move on average, every 2-4 years while on active service, are not allowed the opportunity for continuity of health care. They too deserve some stability in their health care.

***The National Association for Uniformed Services urges the Task Force to endorse that our nation keeps our promises and meets our obligations to these brave men and women and their families and provide them the best healthcare available.***

## **TRICARE Standard Fee**

The National Association for Uniformed Services is very concerned with the Department of Defense proposal to implement new enrollment fees and increase the deductible for TRICARE Standard. This earned benefit is more than just a fee-for-service program. Standard is the cornerstone of the military health system's purchased care programs. Standard is the first line of care for our service members and an entitlement.

The program includes many eligible beneficiaries who do not have the option of enrolling in TRICARE Prime, the managed care program. While beneficiaries enrolled in Prime pay an enrollment fee, they also receive greater service, guaranteed access to care and timeliness standards, all at a lower cost to the government and a lower copayment.

We feel that the TRICARE Standard program has been sadly neglected. Until this year there has been little-to-no education or communication to the beneficiaries. The recruitment and education of providers who reside outside of the Military Catchment areas has been passed along from one responsible entity to another without anyone taking serious responsibility for it. Most important, the cost of the program to the beneficiary is seen as extremely high when compared to TRICARE Prime. This is primarily due to the Standard beneficiary having to pay much more than the 25 percent of the cost share for doctor visits and the extremely high inpatient costs of \$535 per day.

***The National Association for Uniformed Services urges the Task Force to reject the proposed TRICARE Standard enrollment fee.***

### **TRICARE Pharmacy Programs**

The DoD budget proposal also requests a 67 percent increase in retail formulary pharmacy fees for all members and families eligible for military health care. They rationalize this increase as being justified because it costs the government twice as much for a drug through the TRICARE Retail Pharmacy program (TRRx) than it does for the same drug through the TRICARE Mail Order Pharmacy Program (TMOP). DoD believes the rise in the TRRx co-payments will increase revenue and forcefully migrate beneficiaries to the TMOP program, where the costs for their prescriptions are lower.

However, we feel that a primary reason for the higher cost to the Department of Defense in the retail sector is due to DoD not receiving the anticipated Federal Pricing schedule for TRRx. Nor did DoD negotiate other discounts or price breaks with any pharmaceutical companies, which could have saved considerable dollars. TMOP and MTF pharmacy programs did receive these pharmaceutical discounts, therefore their lower costs.

Had DoD aggressively implemented a concerted marketing or education plan to encourage beneficiaries to use the mail order program, considerable savings would have been found, as it is actually cheaper for the beneficiary as well as the Department to use TMOP.

***The National Association for Uniformed Services urges the Task Force to direct DoD to develop and use an active marketing plan for beneficiary use of the mail order program.***

### **Expectations About the Benefit Package Affects Retention**

The United States provides a robust benefits package to the men and women who serve. These benefits are somewhat of a counterbalance to the sacrifices made throughout a full career in the military and are part of the overall compensation package.

The members of the National Association for Uniformed Services tell us that they view the proposed increases as an erosion of their benefits, even though the proposals will only minimally impact the active duty service members. They see the DoD initiatives as an adverse action changing the prospect of the benefits they would earn through a full military career.

For many of those service members well into their career at their tenth year or more in service, the discussion of sharp increases in health care benefits is a perceived diminishment in their expectation about the package they would earn at the close of their career. They remember when recruiters told them that if they stayed in service the government would provide them free, lifetime access to health care.

As the National Association for Uniformed Services understands, Congress legislated the TRICARE for Life program in order to counter the concerns among the active duty troops who saw how the broken promise of lifetime health care was initially handled. Now our troops see the possibility that the promise may cost them more than they ever anticipated.

***The National Association for Uniformed Services urges the Task Force to ensure that every effort is taken to reassure experienced servicemembers that their promised benefits will be delivered by a grateful nation.***

### **The National Association for Uniformed Services Appreciates the Opportunity to Testify Before the Task Force on Military Health Care**

The National Association for Uniformed Services thanks you for holding this hearing to evaluate the Pentagon plan to increase medical costs on retirees and their families.

We trust you will continue to see access to these benefits as a high priority and work to ensure a clear policy of national recognition for those who serve.

Again, we sincerely appreciate your service, and we ask for your support in honoring the earned benefits of those brave men and women who serve and have served in uniform.

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