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HEARING

ON

NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2008

AND

OVERSIGHT OF PREVIOUSLY AUTHORIZED PROGRAMS

BEFORE THE

COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

MILITARY PERSONNEL SUBCOMMITTEE HEARING

ON

VIEWS OF MILITARY ADVOCACY AND BENEFICIARY GROUPS

HEARINGS HELD
MARCH 1, 15, 2007

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FISCAL YEAR 2008 NATIONAL DEFENSE AUTHORIZATION ACT—VIEWS OF MILITARY ADVOCACY AND BENEFICIARY GROUPS

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
MILITARY PERSONNEL SUBCOMMITTEE,
Washington, DC, Thursday, March 1, 2007.

The subcommittee met, pursuant to call, at 2:05 p.m., in room 2212, Rayburn House Office Building, Hon. Vic Snyder (chairman of the subcommittee) presiding.

OPENING STATEMENT OF HON. VIC SNYDER, A REPRESENTATIVE FROM ARKANSAS, CHAIRMAN, MILITARY PERSONNEL SUBCOMMITTEE

Dr. SNYDER. The hearing will come to order.

We are sitting here this afternoon at 2:03 or 2:04 with the prospect of a series of votes coming up at, we think, the 2:30-ish range. And so, what we thought we would do is kind of get right with your opening statements, and, with a little luck, we will get through your opening statements.

This was the text of your written statements and I want to say two things in my introductory comments.

First of all, I appreciate the detail and it really brought home to me, looking over these statements, the breadth of issues that military people and their families have to face, but then, correspondingly, the breadth of issues that this Congress, representing the American people, need to face in order to be sure that we are doing everything we can for our military families and retirees.

So I appreciate the detail that some of you went into in these statements. It is helpful.

The second thing is, we are doing this a little bit different this year, and Mr. McHugh and I have talked about some of these differences, but we decided to have you all come in on this panel as a group.

Earlier in the year, as you may recall, in past years, we have added on sometimes certain issues and have you respond to, somebody respond to education or health care, whatever.

We thought that having you come in earlier in the year with these extensive statements that you have provided us may be helpful as we move forward toward the defense bill, in terms of shaping issues that we may confront. So that was the purpose of doing it this way.

So we appreciate you all being here.

I want to formally introduce everyone that is here.

Mr. McHugh. Let me recognize Mr. McHugh before I introduce the panel.

[The prepared statement of Dr. Snyder can be found in the Appendix on page 47.]

STATEMENT OF HON. JOHN M. MCHUGH, A REPRESENTATIVE FROM NEW YORK, RANKING MEMBER, MILITARY PERSONNEL SUBCOMMITTEE

Mr. MCHUGH. Thank you, Mr. Chairman. I apologize to both our distinguished panel and to you, Mr. Chairman, and the other members, for running a bit late. And I don't want to delay us further with a long statement.

This is, as the chairman noted, a little bit different approach. I see many, if not friendly, I hope they are friendly, but know they are familiar faces. And to those old and new, we are deeply appreciative of your being here.

You are listed as advocacy groups. You do a great job in that regard, but more than that, you are an invaluable window of light, if you will, between those of us who have the honor of sitting on this panel, this Armed Services Committee in the Congress, and to those individuals that you represent and the interests, more importantly, that lie behind them.

And we thank you for being here and for sharing that insight with us.

Beyond that, Mr. Chairman, I just ask that my remarks be entered in their entirety to the official record, and I would yield back to you.

[The prepared statement of Mr. McHugh can be found in the Appendix on page 49.]

Dr. SNYDER. Without objection.

Let me formally introduce you.

Mr. Joseph Barnes, the national executive secretary for the Fleet Reserve Association; Mr. Marshall Hanson, from the Reserve Officers Association; Rick Jones, from the National Association for Uniformed Services; Joyce Raezer, National Military Family Association; Steve Strobridge, the Military Officers Association of America; Jed Becker, the Armed Forces Marketing Council; and, Doug McAlister, from the American Logistics Association.

And if you all just could testify in that order, that would be just fine.

Mr. Barnes, we will begin with you.

STATEMENT OF JOSEPH L. BARNES, NATIONAL EXECUTIVE SECRETARY, FLEET RESERVE ASSOCIATION; CO-CHAIRMAN, THE MILITARY COALITION

Mr. BARNES. Thank you. Mr. Chairman, Mr. McHugh and distinguished members of the subcommittee, thank you for this opportunity to present the concerns of the military coalition advocacy groups.

My name is Joe Barnes, and I am the national executive secretary for the Fleet Reserve Association and the enlisted organization co-chair of the Military Coalition (TMC).

In the interest of time, I will summarize concerns about end-strength, compensation and other active-duty force benefits and my

colleagues will follow addressing guard/reserve issues, retiree survivor concerns, family issues and health care.

Sustaining adequate, active guard and reserve end-strengths to effectively prosecute the war effort and other demanding operational commitments throughout the world is very important and TMC urges strong support for the Administration's request for significant permanent increases for the Army and Marine Corps in fiscal year 2008 and beyond.

Wearing down the force contributes to serious morale, readiness and retention challenges. And the coalition remains concerned about the Air Force and Navy's ambitious end-strength reductions.

Restoring military pay comparability is a top priority and, in recent years, Congress reversed the practice of capping annual pay raises below the employment cost index (ECI).

Despite significant progress on military compensation levels, a four percent pay gap remains.

Basing military pay in the 70th percentile of private-sector pay for similarly aged, experienced and educated workers is one useful reference point. However, military service is unique and payments should be monitored and additional target raises concerned as needed to achieve that standard.

The coalition appreciates your role in the House approving the 2.7 percent active-duty pay hike last year, which was .5 percentage point above the ECI and notes that the final 2.2 percent pay increase enacted for the current fiscal year is the lowest in 13 years.

There has been significant progress to increase housing allowances in recent years, thanks, in large part, to the work of this distinguished subcommittee.

Housing standards, however, need to be revised to more appropriately reflect where personnel are living. For example, only E–9s, which comprise one percent of the enlisted force, are eligible for sufficient Basic Allowance for Housing (BAH) for single-family detached homes.

The development of policy with regard to implementing the predatory lending cap for loans to military personnel and their families has prompted a major public relations campaign by the financial industry, intent on rolling back the 36 percent limit and other restrictions before they go into effect.

The coalition strongly opposes any changes to the statutory provisions on this issue enacted in the fiscal year 2007 National Defense Authorization Act.

Despite progress to improve the Permanent Change of Station (PCS) process, including the implementation deadline for full replacement value for damaged household goods, inequities remain, including mileage rates, which have not been adjusted since 1985.

And unlike Federal civilians, military personnel must make house-hunting trips at their own expense.

In addition, authority is needed to ship a second privately owned vehicle (POV) at government expense to accompany overseas assignments and to authorize a dislocation allowance for service members completing their final change of station upon retirement.

The coalition appreciates your attention to the need, the reform of the Montgomery Government Issue Bill (MGIB), Mr. Chairman and other members of the subcommittee, and supports the total

force concept in order to provide equity for service being rendered by the guard and reserve personnel.

Finally, the coalition remains committed to adequate funding to ensure access to the commissary benefit for all beneficiaries and appreciates this distinguished subcommittee's effective oversight of this important benefit.

Thank you again for the opportunity to present our recommendations and I look forward to answering any questions you may have.

[The joint prepared statement of Mr. Barnes, Col. Strobridge, and Mrs. Raezer can be found in the Appendix on page 115.]

Dr. SNYDER. Thank you.

Mr. Hanson.

STATEMENT OF CAPT. MARSHALL HANSON (RET.), LEGISLATIVE DIRECTOR, RESERVE OFFICERS ASSOCIATION

Mr. HANSON. Thank you, Mr. Chairman, Mr. McHugh and members of the subcommittee. The National Military and Veterans Alliance appreciates this opportunity to talk about guard and reserve issues.

The reserve force has changed. Pilots and crews are flying into the war zone for their weekend drill. Other reservists are being asked to de-mine. Twenty-four drill days, with 15 days of annual training, to provide active-duty command support during a single period.

Officers and enlisted are traveling halfway across this continent to go to their reserve stations because of base reallignment and closure (BRAC) and pay billet cuts.

With an increased tempo, the associations question continued cuts in reserve end-strength.

Pentagon leadership thinks that cash incentives will be a force multiplier that gets more work out of the average reservist. In addition to sending these young men and women to war, some want these reservists to work 80 or more days a year in a drilling reserve capacity.

Yet, despite asking the individual reservists to work longer, there is still a statute of limitation on retirement credit that a reservist can earn. We hope that this can be changed.

Pentagon planners recognize what a bargain the guard and reserve is. There are savings in the infrastructure and overhead costs. Most pay and benefits are given on a participating basis only. Retirement costs are also typically one-quarter of an active-duty retirement.

TRICARE Reserve Select is supported by cost-sharing from reservists, with full TRICARE benefits only starting at age 60.

Guardsmen and reservists know that they are a bargain and they also know that they are now being asked to do the same job as their active-duty counterparts. Many within the reserve forces are sensitive to the difference in active and reserve pay compensation.

This is why issues, such as early retirement and continuity of health care, have become significance to reserve component (RC) members. Such issues have become symbols of fairness and parity. While reservists know that they can't ask for equal compensation, they ask that it will at least be equitable.

For example, if a reserve member meets training, medical, duty hour standards, as set by the active duty, they should receive the same special duty and incentive pay as their active-duty equivalents rather than be paid a prorated amount.

Also, if they do the same tours of duty, they should receive the same Montgomery Government Issue Bill transitional benefits.

In these modern times, the risk is that too many guardsmen and reserve members may see themselves as cogs in a machine. Referred to as human capital by Department of Defense (DOD) planners, the incentives that reservists are offered are more enticement than inspiration, paying upfront cash to motivate our young patriots.

While many military leaders praise Secretary Gates's new mobilization policy, many reservists have concerns. A policy change from cumulative to consecutive caught many by surprise. This coupled with a new paradigm change from a strategic to an operational reserve have many re-evaluating their career plans.

The prospect of serving one year off and five years off, while attractive to Pentagon planners, is not as attractive to civilian employers.

We urge the subcommittee to influence the Ways and Means Committee to gain tax relief for employers of the guard and reserve before we lose employer support.

Employers and family pressures are the top two reasons reservists leave. We also urge support for family programs, as well.

The policy changes put forward by the Pentagon is changing the nature of the reserve component. It will force reservists to choose between an upwardly mobile civilian career and being in the military reserve.

In order to retain a diversified force, benefit programs need to be put into place to encourage people to stay.

The guard and reserve is the true volunteer force. Recruiting and retention will be the long-term metric.

Thank you for the opportunity to speak. Written testimony has been submitted by both the National Military and Veterans Alliance and the Military Coalition with suggested legislation. Each hopes we can help the subcommittee find the correct solutions.

I am ready for any questions.

[The joint prepared statement of Mr. Hanson and Mr. Jones can be found in the Appendix on page 169.]

Dr. SNYDER. Thank you, Mr. Hanson.

Mr. Jones.

STATEMENT OF RICK JONES, LEGISLATIVE COUNSEL, NATIONAL MILITARY VETERANS ALLIANCE, AND DIRECTOR OF LEGISLATIVE AFFAIRS, NATIONAL ASSOCIATION FOR UNIFORMED SERVICES

Mr. JONES. Chairman Snyder, Ranking Member McHugh, members of the subcommittee, thank you very much for the opportunity to present testimony on behalf of the alliance.

I will talk today on survivor and retirement issues. The alliance strongly supports action that would end the offset that is applied to the military survivor benefit plan due to receipt of veterans' dependency and indemnity compensation (DIC).

Michelle Fitz-Henry, the surviving spouse of Senior Chief Petty Officer Theodore Fitz-Henry, tells us, "The service men and women who die in service to our country and are no longer alive to fight for what meant most to them, their families," she adds, "a grateful nation must pick up that fight."

To reduce the statement of Administration policy (SAP) dollar-for-dollar offset against DIC compensation, which is given for an entirely different reason, is the right thing to do. Fixing this problem is an issue of basic fairness and your action to correct this significant inequity would be long remembered as an act of decency and compassion.

Mr. Chairman, in 1999, Congress reduced the cost of the survivor benefit plan when it enacted the paid-up provisions. However, there was an inherent inequity contained in the language of the approved bill.

Congress delayed the effective date of this provision until October 2008. Some of the members of our organizations have been paying premiums for well more than 30 years. In fact, Sylvan Ash of California, retired from the Army, informs us that he elected to receive a reduced amount of retired pay in order to establish annuities for his survivors, that under the Uniformed Services Contingency Option Act of 1953, which of course, has been amended and renamed in 1961 was the retired servicemen's family protection plan and, later, the plan that we now have, the survivor benefit plan.

We urge the subcommittee to accelerate the paid-up provision so retirees already qualified and are at least 70 years old and have paid premiums for more than 30 years are required no longer to pay premiums.

Before I speak about concurrent receipt, I would like to raise two concerns related to retirement.

The alliance is seriously concerned about the situation at Walter Reed Army Hospital. The building, we are told, is being fixed, but there is a growing caseload of soldiers being placed on medical hold.

We need quality decisions on the future of these wounded warriors, but we must never allow these valiant men and women to drift in limbo or fall through the cracks of bureaucratic neglect.

We are also concerned that in the midst of the war, the number of soldiers approved for permanent disability retirement has dropped by two-thirds from 642 in 2001, prior to the war, to only 209 in 2005.

This occurs at the same time as the number of veterans using the Department of Veterans Affairs (VA) for prosthetics, sensory aids, and related services has increased more than 70 percent over the same period.

We urge the committee to take a look at procedures for permanent disability. Mr. Chairman, progress has been made in overturning the bar on disabled military retirees from collecting their full retirement for serving a minimum of 20 years in the service. Changes in the old way have moved policy in the right direction.

Yet, many more disabled retirees await their inclusion. More can be done and it should. The alliance strongly supports extension of concurrent receipt to take care of service members whose military

career was cut short, forced to retire medically before attaining 20 years of service.

These service personnel have sacrificed greatly to protect us. Their injuries have caused them to prematurely end their military service. We believe these brave men and women deserve to get a better deal or to receive, at the very least, a better consideration.

Mr. Chairman, we also support the full phase-in of concurrent receipt for individuals rated 100 percent disabled as a result of individual unemployability and we look forward to the time when the old policy on concurrent receipt is completely ended.

Once accomplished, we will have met the challenge of establishing a clear policy of national recognition for those who become disabled in service to their nation.

Mr. Chairman, we also believe that the subcommittee needs to take a hard look at the rising number of marriages and families that will be forfeits by the current war deployments and continued use of the same set of troops.

Frankly, the same folks cannot do it year after year without a loss of their families. We support marriage, but we also recognize the reality of divorce, which is especially prevalent in the military.

The military has unique challenges, long deployments, frequent moves. Dwell time is short. Involuntary deployments are rising. Now is really a good time for the subcommittee to focus on the importance of preserving the marriages and families of our service folks.

The alliance also strongly urges this subcommittee to conduct hearings on needed changes in the Uniformed Services Former Spouses Protection Act. We need to both gather the information that is needed to make the appropriate changes and to ensure that threat issues are not further exacerbated.

We encourage your review of this important subject and look forward to your actions of the most important of the Uniformed Services Former Spouses Protection Act related issues.

Mr. Chairman, thank you again very much for the opportunity to testify.

[The joint prepared statement of Mr. Jones and Mr. Hanson can be found in the Appendix on page 169.]

Dr. SNYDER. Thank you.

Mrs. Raezer.

STATEMENT OF JOYCE WESSEL RAEZER, CHIEF OPERATING OFFICER, NATIONAL MILITARY FAMILY ASSOCIATION

Mrs. RAEZER. Dr. Snyder, Representative McHugh and members of the subcommittee, I want to thank you for the opportunity to share the Military Coalition's concerns about issues affecting military families.

We are grateful to you for last year's many legislative provisions that will help families, including the increase in DOD supplement to Impact Aid, improvements to casualty assistance, and support for wounded service members and their families.

The good news is that programs to support families exist at many levels and we want to thank you for your support for so many of those innovative programs that serve both military fami-

lies who live on an installation and some of our more isolated guard and reserve families.

The bad news for our nation in this six-year war on terror is that the stressors on military families continue to grow. The Department of Defense must have the flexibility to meet families' emerging needs, including the ones that show up on the front page of the newspaper, the mandate to improve outreach to families and consistent levels of funding and staff.

Unfortunately, resource issues continue to plague some of our basic installation support programs. Family centers, libraries and other quality-of-life programs should not have to cut staff or limit hours just when families need those services the most.

These support services provide a community for families far from home, help them navigate through the challenges of military life, provide assistance to special needs family members, assist military spouses in gaining employment, and improve the financial literacy of service members and families.

We also ask you to provide additional funding authority for respite and extended childcare, an issue where the demand continues to grow. Senior enlisted representatives of the services recently testified childcare remains one of the top quality-of-life issues for the troops that they talk with.

Just as family readiness is imperative for service member readiness, the emotional well-being and mental health of service members is linked to that of their families.

No need is greater for military family readiness in this environment than robust continuum of easily accessible and responsive mental health services, from stress management programs and definitive mental health counseling all the way through the therapeutic medical mental health care.

Today, families report a shortage of providers and difficulties in accessing services across this continuum. Survivors of active-duty deaths cry out for grief counseling and more help for them and their children.

The need for these services, unfortunately, will continue to grow. We ask you to ensure DOD has the resources it needs to provide access to a robust continuum of mental health support for families, as well as for service members, not only because it is the right thing to do, but also to retain those highly trained and qualified service members.

A significant element of family readiness is the quality of education for military children. Both DOD and civilian schools educating military children must be able to meet the counseling, staffing and program challenges arising from new, ongoing and changed missions.

We especially ask that you continue to authorize DOD funding of at least $50 million to supplement Impact Aid for civilian schools educating military children to help these districts provide the support these children need.

As installations gain population due to BRAC or global rebasing, it is important facilities are in place to support them. The coalition urges the subcommittee to ensure robust family support and quality-of-life programs and facilities are in place before families arrive

at the new installation and remain in place in closing installations until families leave.

Families making these moves will, in many cases, be either recovering from a deployment or anticipating one soon. They don't need the additional stress of struggling to find housing, experiencing delays in obtaining health care, being unable to find childcare or having their children attend school in crowded facilities.

This issue is also bigger than facilities. It also is staffing. We have to make sure that staff remains in place at closing installations until the families leave. We believe DOD may need additional authority to offer incentives to keep staff in place at these closing installations until the installations are actually closed.

Because of the value commissaries add to the quality of life of the military community, the coalition is concerned that the patron-generated commissary surcharge trust fund may be come squeezed between rising construction costs and the need to build or expand facilities in communities anticipating growth.

Since there is no more military construction funding to offset these new requirements, we appreciate the fact that the surcharge funding is there. However, this new construction must not come at the cost of maintaining existing facilities and, thus, degrading the benefit.

We also remain concerned about the effects closures of military exchanges in Europe will have on the revenues used to fund many morale, welfare and recreation (MWR) programs and urge you to maintain oversight over the trends in these revenues.

Mr. Chairman, the concern that you continue to show, you and the other members of the subcommittee continue to show sends an important message to service members and their families—Congress understands the link between military readiness and the quality of life of the military community.

Strong families ensure a strong force. Thank you for your work in keeping that force strong.

[The prepared statement of Mrs. Raezer and the joint prepared statement of Mrs. Raezer, Colonel Strobridge, and Mr. Barnes can be found in the Appendix on page 51 and 115.]

Dr. SNYDER. Thank you.

Colonel Strobridge.

STATEMENT OF COL. STEVEN P. STROBRIDGE (RET.), DIRECTOR, GOVERNMENT RELATIONS, MILITARY OFFICERS ASSOCIATION OF AMERICA, CO-CHAIRMAN, THE MILITARY COALITION, U.S. AIR FORCE

Colonel STROBRIDGE. Mr. Chairman, Congressman McHugh and members of the subcommittee, my portion of the oral remarks will cover health care.

Clearly, the biggest health care challenge is the $1.9 billion cut in the TRICARE budget, from a budget standpoint anyway. In effect, it assumes that the subcommittee will approve all fee increases that the Pentagon proposed last year and do that effective October 1.

We are grateful that the subcommittee rejected that plan last year and we are hopeful you will do that again.

Simply put, we just don't agree that some arbitrary percentage of DOD's health costs should be shifted to beneficiaries. Frankly, the Defense Department isn't very good at managing its costs.

Last year, the Administration actively opposed Congress's efforts to reduce retail pharmacy costs. For years, the Pentagon did little to promote the mail order pharmacy system.

When military doctors deployed to Iraq, the regular patients get pushed to more expensive private-sector care. None of that is the beneficiaries' fault.

Last year, we offered a list of 16 ways that the Department of Defense could cut costs without penalizing beneficiaries. A year later, we still haven't received answers why those initiatives couldn't be pursued.

Beneficiaries shouldn't have to pay a price for that inaction.

We think we have to get away from these arbitrary budget cut drills and establish in law, as a matter of principal, what health care benefits military people earn through a career of service and sacrifice.

We have statutory standards for other compensation elements, such as retired pay, basic pay, housing and subsistence allowances, but on health care, much is left to the secretary's discretion.

In the last two years, we have seen how that can destabilize budgets and morale, particularly in wartime. In this retention risk environment, the last thing that we should be doing is cutting military retirement benefits by up to $1,000 a year.

The coalition strongly urges the subcommittee to put language in this year's defense authorization bill using Congressmen Edwards's and Jones's H.R. 579 and Senator Lautenberg's and Hagel's S. 604 as models to recognize in law that military retirees pay more than cash fees for their health care breach.

Their decades of personal and family sacrifice constitute a heavy prepayment program that few Americans are willing to accept.

The key principal in these bills is that, at most, military beneficiaries' health fees shouldn't rise in any year by a percentage that exceeds the percentage growth in their compensation.

Before mandating new fees and more restrictions on beneficiaries, the government should maximize its own efficiency and explore positive incentive for cost-saving behaviors.

We also urge you to adjust employer incentive restrictions adopted in last year's Defense Authorization Act that, starting next January, will inadvertently penalize many members whose employers use non-TRICARE-specific cash programs.

We know you have asked for a secretarial interpretation of that language, but any such reading by the secretary can be changed at will. We think it is important to ensure that members are protected against discriminatory outcomes by statute rather than leaving it subject to interpretation.

For guard and reserve members, we recommend an option to have the government subsidize premiums for employer-provided care during periods of mobilization. In the steady-state post-war environment, the coalition believes this would be more practical for beneficiaries and more cost-effective for the government, as well.

In the area of DOD and VA cooperation, we share your concern over perpetual interface problems between military and VA pro-

grams. We think fixing that is going to require creation of a joint transition office permanently staffed with DOD and VA personnel whose primary task is to make seamless transition a reality. That just can't be done as a part-time job.

I was an Office of the Secretary of Defense (OSD) staff officer in the late 1980's and one of my goals at that point was to create an electronic separation document. I couldn't get it done before being reassigned and now, almost 20 years later, that is still on the drawing board.

In the area of mental health, we applaud the subcommittee's attention to the challenges faced by service members and their families. We hope that you are going to do all you can to ensure central coordination and cross-feed to maximize returns between the many different programs that we have going on between the services, DOD and the VA.

We also need extraordinary measures to train and retain enough trained mental health professionals to meet rapidly rising demands.

Joyce mentioned the situation at Walter Reed. One of the big problems in fixing that is Walter Reed is closing. The people that we need to take care of those folks are looking for other jobs. We need to find ways to take care of those folks. We have got our most vulnerable people at a closing base and we all know how vulnerable closing bases are to funding problems, no matter how good our intentions.

Last, but certainly not least, we urge your continued attention to ensuring beneficiary access to TRICARE participating providers. One key issue, obviously, is restoring a reasonable formula for TRICARE and Medicare payment levels for doctors.

Another is protecting access for guard and reserve families who don't live near military facilities.

Many other issues in the health care arena, but in the interest of moving on, I will close at that point. And, Mr. Chairman, that concludes my share.

[The prepared statement of Colonel Strobridge, Mr. Barnes, and Mrs. Raezer can be found in the Appendix on page 115.]

Dr. SNYDER. Thank you, Colonel.

Mr. Becker.

STATEMENT OF F. JED BECKER, VICE CHAIRMAN, ARMED FORCES MARKETING COUNCIL

Mr. BECKER. Good afternoon, Mr. Chairman and distinguished members of the subcommittee. My name is Jed Becker, and I am a member of the Armed Forces Marketing Council, or the AFMC.

I appreciate the opportunity to be here today to offer comments concerning the military resale system and the vital role it plays in supporting our troops and their families.

As referenced, the AFMC is a nonprofit business league founded in 1969. A number of firms work on the behalf of manufacturers who provide consumer products to the military retail system around the world.

Succinctly, the purpose of the council is to encourage the worldwide availability of quality consumer products at the best possible prices and value and to promote unity of effort in this endeavor

through a cooperative working relationship among Congress, the military, and the supplier industry.

Member firms are small, privately held businesses, formed in response to the need for efficient and centralized sales, marketing and merchandising services.

In order to limit this statement, I have prepared a written statement and would ask that those comments are entered into the record.

As backdrop, I would like to note that the military resale stands out as a most successful system. In simple terms, it works well. It is honest, efficient and responsive. Taxpayers, legislators and leaders throughout government can share in the pride of this outstanding success story.

Mr. Chairman, this committee brings a clear legacy of prudence in protecting the value of the resale benefit. It has protected the system from unfounded reorganizations, while it was has correctly encouraged and supported the very competent resale operators along their driven path in their process of continuous improvement.

In addition to the broad scope balance provided by your oversight, this committee has been effective in recognizing and seizing those opportunities at the margin. It has served to maximize the value of the benefit, while minimizing the expense to taxpayers.

Looking forward, we would like to call your attention to a few matters on which we seek your support. Second destination transportation funding, Congress has passed legislation that mandates funding the costs of transporting American products to foreign base resale operations. Maintaining this commitment of is of vital importance to the well-being of military families.

Your intelligence in directing continuity in this program is requested.

Earlier in my comments, I noted that this committee has effectively seized many favorable opportunities at the margin. AFMC requests your attention to two such opportunities.

First, we remind you that the antiquated Armed Services Exchange Regulation (ASER) restrictions limit the exchanges in terms of the merchandise they can sell. Of particular note, the restrictions placed on the sale of furniture and gemstones and the conditions under which they were placed.

These conditions have changed dramatically over the years. We urge you to grant relief from these restrictions. Such relief would enhance the value of the exchange benefit to all qualified shoppers and would do so at no expense.

Second, the AFMC believes you will find a high yield, no cost opportunity to reward our returning veterans for their devoted service by offering them transitional commissary and exchange benefits.

Granting such privileges could be implemented simply and quickly and, best of all, would not impose any additional expense on taxpayers. Such a measure would prove to be prudent in the utilization of existing infrastructure, would generate incremental MWR dollars and Defense Commissary Agency (DeCA) surcharge dollars.

Council members respectfully urge this committee to consider this proposal favorably.

In closing, I would like to note that the military resale industry is fragile. Short-sighted plans disguised as innovation will continue to threaten its comprehensive efficiency.

Most easily overlooked in the important and beneficial evolution is the fundamental appreciation for the power of two factors: the intelligence of our service members and their ability to recognize a marginalized benefit and, second, the failure to recognize that America is deriving service from resale system employees that exceeds their costs.

With few exceptions, these are people of high order, serving those who defend our freedom. Measures that might break their spirit of purpose would bring a tragic loss to all of us.

I am prepared for your questions.

[The prepared statement of Mr. Becker can be found in the Appendix on page 85.]

Dr. SNYDER. Mr. McAlister, I think we have time for your opening statement here, but, sorry, everyone will run in a cloud of dust.

STATEMENT OF DOUGLAS B. MCALISTER, CHAIRMAN—AMERICAN LOGISTICS ASSOCIATION

Mr. MCALISTER. Mr. Chairman and members of the subcommittee, the American Logistics Association (ALA) is most grateful to you for your strong leadership in preserving and improving commissary, exchange and MWR benefits for service members, military retirees and their families.

I ask that my written statement be accepted into the record in its entirety.

It is an honor to be here today as chairman of the board of the ALA, representing nearly 250 of America's leading manufacturers, 60 brokers, distributors, service companies, media outlets, and more than 1,400 individual members who are actively engaged in providing goods and services to the military resale and MWR activities.

I want to reaffirm ALA's strong commitment to maintaining the commissary and exchange benefit as an integral part of the total non-pay compensation package for service members and their families.

Our association actively supports and promotes programs that enhances qualify of life for our military.

Today I would like to address three issues: base access, ASER and DeCA full funding.

Mr. Chairman, I would like to call your attention to a highly sensitive issue within the military resale industry: base access.

We understand and fully support the need for increased security on our military installations. We feel, however, that the Department of Defense has missed an affordable opportunity to implement a department-wide system that provides base access credentials for those non-DOD employees who do business on military installations on a frequent, often daily basis.

As a result, military installations are looking for and selecting standalone solutions instead of capitalizing on the combined purchasing power of DOD's 1,100-plus locations.

Individual military facilities are developing their own programs and entering into contractual relationships with sincere efforts to

comply with the implementation schedule expressed in homeland security and other directives.

Not surprisingly, installations seek to meet this requirement in a cost-neutral manner, passing the costs along to the individuals who apply for the credentials.

Even small businesses working with commissaries, military exchanges and other quality-of-life enterprises will have many employees who call on multiple locations.

The annual cost of individual base solutions is potentially thousands of dollars for small business and nearly $.75 million per year for large suppliers and brokers.

While companies have planned to absorb a reasonable cost for a department-wide credential, this extreme additional expense will quickly find its way into the cost of goods.

In effect, military families will be paying for their own base security. As prices go up in commissaries, exchanges and MWR activities, the value of the resale and quality-of-life benefit diminishes.

ALA member companies are willing to pay a reasonable price for a credential that gains them access to the installation. The DOD common access card already does this for active-duty personnel, civilian employees and contractors.

We urge Congress to ensure the Department of Defense expands access of the common credential program to civilian workers who support the military resale and MWR activities.

DOD has the credential. Now we need a system in place to read the credential at the base access point.

Also, we ask this subcommittee to ensure that the cost of these cards do not result in a burden on the uniformed service members and their families and that this program be moved forward so cards could be issued within six months.

Our association actively supports and promotes programs that enhance the quality of life for military service members. Exchanges are a key component of DOD's quality-of-life programs.

Unfortunately, authorized patrons continue to be limited in their choice of merchandise sold at exchanges. The Armed Service Exchange Regulation, ASER, delineates who is authorized to use the exchange benefit and what can or cannot be sold by the exchanges.

We believe shoppers should have a choice, without restriction, on merchandise sold in exchanges. Military patrons should not be relegated to a second-class status relative to product choice and availability.

Mr. Chairman, ALA is committed to preserving the value of the commissary benefit. It is widely recognized as a cornerstone of the quality-of-life benefits and a valued part of a service member's total compensation package.

ALA supports cost savings and effective oversight and management. However, we remain vigilant about the unrelenting DOD pressure on DeCA to cut spending and squeeze additional efficiencies from its operations.

More than any other agency of the Federal Government, DeCA deserves credit for its years of effective reform initiatives and improved business practices. We urge Congress to continue full funding for DeCA.

Thank you, Mr. Chairman and members of the subcommittee, for providing industry this opportunity to present its views on these critically important topics.

I will be happy to answer any questions.

[The prepared statement of Mr. McAlister can be found in the Appendix on page 100.]

Dr. SNYDER. Thank you for all your testimony.

Friends, we have got a problem with these votes. Mr. McHugh and I have been consulting here, and we have had to do this once before.

We have, by our calculation, well over an hour of time that we will be over voting, and it will probably be inconvenient for some of you, but we think what we had better do is adjourn today and work on people's schedules as best we can, as soon as possible to come back and start out just with questions.

We have five votes, plus some debate in the middle of that, with a motion to recommit, and, by congressional time, it will take longer.

Between now and then, I have also asked Debra, working with our transcriptionist, we will also have transcribed your oral statements that you made before. And, without objection, your written statements today will be made a part of a record. Those will also be distributed to all the members.

Mr. MCHUGH. If I may, Mr. Chairman?

The chairman and I have talked about this. We do have precedent. This is really a tough decision for us, and I hope you understand.

But in a very unusual way, perhaps you can see it as our being selfish, because truly this is an unusual panel and it is a broad-based panel. We have never structured it like this before. Frankly, we don't just want your input, we need your input.

And our assessment is, given, as the chairman said, congressional time, were we to even ask you to stay and come back, the participation would dramatically drop off. It would not be the panel it should be, and you would not get the attention you need.

We understand how difficult this will be, but we hope you are able to join us at another time when we can do justice to the issues and to the individuals that you represent.

Dr. SNYDER. And we are going to try to get that set as soon as we can.

And, in fact, Debra, John, you may want to have some conversations today to see what possibilities are with that.

I apologize for us having to do that. I don't see a good way to do this otherwise. But we will work to get your oral statements also transcribed.

And now we had better move in our cloud of dust.

The committee is adjourned.

[Whereupon, at 2:46 p.m., the subcommittee was adjourned.]

FISCAL YEAR 2008 NATIONAL DEFENSE AUTHORIZATION ACT—VIEWS OF MILITARY ADVOCACY AND BENEFICIARY GROUPS

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
MILITARY PERSONNEL SUBCOMMITTEE,
Washington, DC, Thursday, March 15, 2007.

The subcommittee met, pursuant to call, at 2:30 p.m., in room 2118, Rayburn House Office Building, Hon. Vic Snyder (chairman of the subcommittee) presiding.

OPENING STATEMENT OF HON. VIC SNYDER, A REPRESENTATIVE FROM ARKANSAS, CHAIRMAN, MILITARY PERSONNEL SUBCOMMITTEE

Dr. SNYDER. The hearing will come to order.

We appreciate you all being here so much. I don't know, you all just may bring change to the world, because we had a situation on the House floor I am not sure we have had very much where we were waiting for the Appropriations Committee to finish and so the vote was held open for a long, long time.

What I will do is defer to Mr. McHugh for any words he may have today and welcome, introduce you all. Neither John or I are going to do any formal opening statement. You already did your opening statements last time, and we will begin our questions.

So, Mr. McHugh, any thoughts that you have.

STATEMENT OF HON. JOHN M. MCHUGH, A REPRESENTATIVE FROM NEW YORK, RANKING MEMBER, MILITARY PERSONNEL SUBCOMMITTEE

Mr. MCHUGH. Thank you for your patience today but also returning.

I made all my brilliant comments during the last session, Mr. Chairman; I will refer to those. So I am looking forward to the give and take.

And I deeply appreciate the courtesies you have extended the committee with your patience here. Thank you.

Dr. SNYDER. And what I will do is introduce our witnesses.

Mr. Joseph Barnes, the national executive secretary of the Fleet Reserve Association; Mr. Marshall Hanson, legislative director for the Reserve Officers Association; Rick Jones, the director of legislation for the National Association for Uniformed Services; Joyce Raezer, chief operating officer, National Military Family Association; Colonel Steve Strobridge, director of government relations for the Military Officers Association of America; Jed Becker, the vice chairman of the Armed Forces Marketing Council; and joining us

today is John Molino, president of the American Logistics Association. And last time we met, you may recall, it was Doug McAlister that was with us.

We appreciate you all being with us.

In the course of this afternoon, and I will probably do it with this first question, but if something has happened since the last time you all gave your opening statements and you wanted to correct something, add something, we want you to have the opportunity to do that.

My first question—and we are going to put ourselves on the five-minute clock here. You all don't worry about that clock, that is for our benefit, because with this large a panel, we want everyone to have an opportunity to chime in in any way they can.

I would like, just starting at the left and just working our way across, given that we are a new Congress, the preliminary work is already going on, and we are past the preliminary stage, really, in terms of this year's defense bill. We are a nation at war. I think all Americans are aware of what our fiscal situation is and where we are at with national debt and deficit.

Given all these realities and all the other ones our there that you all are aware of, let's just go down the line, what do you think the priorities ought to be for this Armed Services Committee and this Congress with this year's defense bill, from you all's perspective?

Mr. BARNES. Mr. Chairman, I think, first and foremost, it is very important to take care of the personnel and adequately support the personnel that are prosecuting the war in Iraq and Afghanistan.

The events of recent weeks with regard to what has transpired at Walter Reed Army Medical Center has sent a powerful message about what these personnel are encountering, primarily with transitioning between care on the DOD side and care within the Department of the Veterans Affairs. So I think that is overriding with everything.

We have a very ambitious agenda with regard to the Fleet Reserve Association and also the Military Coalition, but I think top among that, major concerns, the adequacy of our end-strengths to sustain the war effort and our demanding operational commitments.

Number two, the compensation level, that is a high response issue with regard to surveys that we have done, interaction with active and reserve personnel.

And probably, number three, the health-care benefit, adequately funding the DOD health-care plan. Because that, as with compensation, touches all personnel, their families, dependents and survivors.

Dr. SNYDER. Mr. Hanson.

Mr. HANSON. Thank you, Mr. Chairman.

In that I was asked to come here to talk about guard and reserve issues, I think I will focus on the priorities in that arena.

The guard and reserve is the true volunteer force. After coming off of active duty and perhaps after a short period of obligatory service, most people continue in the guard and reserve careers on a choice basis that they make themselves, because it is basically their second career in addition to their civilian career as well.

Because of this, I think one of the primary concerns we have with the guard and reserve community is retention and recruiting and that DOD has made many suggestions that we agree with but they are near-term incentives.

And one of the things that we need to look at is long-term compensation packages, kind of a rucksack of benefits that an individual takes with them, whether they are on active duty or returning to the civilian job, such as continuity of health care or a retirement package that they can basically have some choices on.

In addition, the other area of concern is to have the adequate resourcing to continue their training. With a lot of our guard and reservists basically going to war, as you have pointed out, and then returning, if we turn back to a drill hall where there is any classroom environment, this is going to have a direct effect on their retention, because they go from a very intense environment back to one with minimal support that is not a good situation.

So we need to look at ways to maintain their readiness, maintain their training level and to find them the appropriate equipment to keep them up to speed and properly challenged back in the civilian reserve side of things, as they were when they were in a deployed status.

Dr. SNYDER. Mr. Jones.

Mr. JONES. Mr. Chairman, our view of the number-one priority for this committee and in this Congress is to fight for a fair share of the Federal budget. In a $2.9 trillion budget, the Defense Department should have sufficient funds to manage all its programs, which would defend the country and provide the benefits for those who have defended the country previously.

We recognize that over the past several years, the defense spending has been on a sharp decline, as a percentage of the gross national product. Historically, from the years 1970 to 2000, that percentage of the gross national product has been nearly 5.7 percent. Recently, spending on defense is a little more than four percent.

And we are beginning to see cracks throughout the system as defense starts to reprogram their funding. Last year, there was a lot of reprogramming—swimming pools closed, facilities closed across the country in different bases as efforts were made to ensure that funding was available for war-fighting.

That is, indeed, the number-one priority. But they shouldn't be in that position, nor should beneficiaries be in a position to have to shoulder more of the burden of our defense from a portion of their benefits.

Another priority of ours is to take care of wounded warriors. We think that this committee should focus on the wounded warriors, make their benefit more generous.

One of our issues is to extend Concurrent Receipts to those folks who have less than 20 years, who were forced out of the military because of their injuries in service. We would like to see those benefits that these folks receive be a bit more generous rather than having an offset or a choice being made between what they might receive from the Veterans Department for disability or what they might received from the Department of Defense in a medical retirement.

We would also like to see some attention given to an inequity that has been with us for a number of years, and that is the Survivor Benefit Program (SBP) and the Dependency and Indemnity Compensation Program (DIC). As you know, there is an offset there. And, as we see it, each of these benefits, the Survivor Benefit plan and the DIC are for different reasons.

The Survivor Benefit plan is an annuity plan, paid for in retirement by a portion of retirement pay as, sort of, an insurance while you are in the active duty. The military now takes over that expense.

The DIC, the Dependency and Indemnity Compensation payment, is a payment made if an individual dies as a result of injury or illness from the military experience.

To have that payment offset against the annuity payment is simply unfair and certainly something I suspect that the service member themselves are really unaware of. As they pay their survivor benefit annuity on a yearly basis, they have no idea that benefit is going to be diminished by the DIC payment should they die as a result of their injury.

So those are a couple of our priorities and a couple of priorities we would like to see this subcommittee focus on, but the major one, of course, is to get a better share of the defense spending and to recognize that the priority of this defense spending against all other priorities in the nation, domestic and foreign.

Dr. SNYDER. Mrs. Raezer.

Mrs. RAEZER. Thank you, Mr. Chairman.

I think I would be remiss if I didn't ask this committee, most importantly, to remember the link between family readiness and service-member readiness and to understand that the pace of operations over the past six years has taken its toll. We can't talk about emergency, we can't talk about short-term. This is a long-term issue.

Even if the war would end tomorrow, because of all the repeated deployments, our families are going to need a lot of support to come back to a real ready state. And if we want that military force to be ready, we have to look at the needs of the families.

And that is encouraging the military services and all the components to continue to focus on innovative family programs that provide outreach and pull families in and make them aware of the resources available. To especially care for those special groups, the survivors and the wounded service members and their families, to provide extra support for them and even to look at some benefit changes for them.

One of the items that we brought up in our written statement, in terms of the wounded and their families, was to provide wounded service members and their families who have been medically retired the same type of transition health-care benefit that our surviving spouses currently have, where for three years they are treated as active duty family members in terms of their TRICARE benefit, to give them time to transition, to find health-care providers while remaining in that active duty status where there are some richer benefits. So that would be something that we would like for you to consider.

Making sure that those support programs on installations are well-resourced and up and running to support service members and families. To pay attention to the mental health needs across the whole continuum for both service members and families. Making sure preventive care is there as well as the medical care that is needed for certain folks.

And access to care for everyone. The Walter Reed story highlighted issues from service member perspectives that we have heard from families for years—difficulty in accessing care at military treatment facilities. And from our special needs families, a real problem with coordination of care.

And so we would like for you to remember that our direct care system is incredibly stressed, and we need to get a better resourcing package in place in terms of providers to improve access and coordination of care.

Dr. SNYDER. Colonel Strobridge.

Colonel STROBRIDGE. Yes, sir. I think we are all very sensitive to the budget issues that you have to deal with, that the Budget Committees have to deal with, and it is tempting to say we want all this big laundry list of things. But I do think that there are structural things that it is very important for the committee to look at.

In health care, there are a couple of them. One is this seamless transition issue that we have been struggling with for years on end that never seems to get anywhere. And, largely, it is because it is governed by a group that meets periodically and actually implemented by people who have all this stuff as additional duties.

We think that it is time to establish a joint DOD-VA transition office where this is people's permanent job, to take care of all the issues of transitioning between DOD and the VA, to take on all these post-traumatic stress disorder (PTSD) issues so that it is not just somebody's part-time job. This is a full-time job, a full-time mission of a specific agency to get that done. Otherwise, it is all going to be subject to the next time the guy whose part-time duty it is gets reassigned somewhere, somebody else comes in and the ball gets dropped.

The other issue, I think, on health care, the other structural issue is, we have to get, from our perspective, some principles established in law as to what the military health benefit should be and how benefits are adjusted. All the other major core elements in the military compensation package, whether it is basic pay, housing allowances, retired pay, those are set in law, the adjustment methodologies are set in law. So much of the health benefit is left to the secretary's discretion.

That is one of the reasons why we are pushing H.R. 579 and S. 604, which basically lay out some principles that recognize in the statute that military people pay more for their health care than just the premiums that they pay in retirement, just their cash co-pays. They prepay for their health care through 20 or 30 years of lifetime service and sacrifice, and those are principles that we think need to be established in law.

We think one of the principles ought to be that either, as under H.R. 579, the adjustments are reserved to Congress or, at the very least, the adjustments in any particular year don't exceed, as a per-

centage, the percentage growth in their compensation. So those are two structural issues we think need to be established.

Certainly, I am really worried, as I know you are, and certainly the people over at the Pentagon are, about the retention environment. We have put these folks under stress, and we have now heard for years on end these kinds of concerns being raised. It is stunning to me that we already haven't had far more people voting with their feet than we have.

We are surging now. It is going to take a long time to plus up the forces. To us, we have to be particularly sensitive to the retention environment, and that is another reason why we are concerned about things like the TRICARE fees. This is the last time we need to be reducing people's retirement benefits by $1,000 a year, for example.

We are concerned that this President's budget is the first budget since 1999 that doesn't do something to try to continue reducing the pay gap after last year's 2.2 percent across the board raise. That hit some people in the stomach, I think, when they heard that very low number. So we would like to see at least some kind of progress on that.

Rick Jones hit on the Concurrent Receipt and SBP issues. Those are obviously big deals. We recognize it is hard to do. We recognize there are funding issues. We have talked with the committee staff about some options on how to at least make some progress on those issues. I think that is important, to try to do something to indicate that we are trying to address those long-term, hardcore problems.

Thank you, sir.

Dr. SNYDER. Mr. Becker.

Mr. BECKER. Certainly, this is panel has a broad scope of experience, and it has been evident here. I am going to attempt to keep my comments to the area of military resale, a leading non-paid benefit and a significant contributor to the quality of life of military families.

I think, attempting to address the priorities there bring me to a pretty simple approach and that is that we certainly have an extremely valuable asset in the form of the infrastructure and the system supporting the resale system. I believe that assessing that asset and leveraging it for its full potential in delivering the benefit to eligible shoppers is the greatest opportunity.

My fear, frankly, is that this asset known as good will that our nation shares with our fighting forces and their families is very vulnerable if they perceive a marginalization in the benefit delivered to them through the resale system.

And I have to make note that I believe it is a pretty dramatic risk for a relatively minor change if we make the wrong moves, for they have come to realize it as an exceptional benefit and would certainly perceive tremendous loss if it were altered significantly.

Thank you.

Dr. SNYDER. And, Mr. Molino, you are in the position of answering questions about a statement that you did not deliver. So you can feel free to answer the question of priorities.

Mr. MOLINO. I helped write, Mr. Chairman, so that is no problem.

Dr. SNYDER. Mr. Molino.

STATEMENT OF JOHN MOLINO, PRESIDENT, AMERICAN LOGISTICS ASSOCIATION [CONTINUATION OF DOUGLAS B. MCALISTER, CHAIRMAN, AMERICAN LOGISTICS ASSOCIATION STATEMENT]

Mr. MOLINO. Let me begin by thanking you for your indulgence and the committee's indulgence, allowing me to represent ALA in lieu of our chairman, who was unable to be here again today.

In a way, it is tough to be last, but let me just say, I don't disagree with anything my colleagues have said. And I would like to, if I could, answer this question—I will take it up a notch and answer it as the father of two soldiers.

I think your priorities ought to be to make sure there are enough people in uniform, that they are trained and that they are adequately equipped. I think you should never forget that families also serve, and I think this subcommittee has a record of never forgetting that families also serve.

Consider the promises you make and whatever promises you make, make sure you deliver on those promises. When I served in the Pentagon, we had a document we called, "The Social Compact," and what that document did was it recognized that there was a relation between the service member, the family and the nation, as represented by the Department of Defense. And there are expectations, mutual expectations and mutual responsibilities, and I think it is most important to deliver on all of those.

Dr. SNYDER. Thank you.

Mr. McHugh.

Mr. MCHUGH. Thank you, Mr. Chairman.

Welcome again.

I heard Colonel Strobridge talk about some of the options that, I guess, at least he, and perhaps others, have discussed with respect to SBP-DIC, Concurrent Receipt. Those, as you know, we have been chipping away at, and I think "chipping" is the operative word there.

But just to kind of set the stage, to eliminate SBP-DIC—and many of you probably know this, but I just want to get on the record—the offset would be $8.9 billion in mandatory spending and $3.6 billion in discretionary spending over 10 years. Concurrent Receipt, totally, would cost $32 billion in mandatory spending and $10 billion in discretionary spending over 10 years.

The chairman of the full committee and the ranking member, and I know that our chairman and I, were given the opportunity to look at that. We tried to make some inroads to the Budget Committee, and this is a new Budget Committee in its leadership structure, and maybe they are going to do absolutely amazing things, but in lieu of that, and until that happens, let's hear some of those suggestions, for the record, that you have talked about with the staff, because those are big numbers, as you know.

I am not lecturing you at all. As I said, I am setting it out for the record. And I would be very interested in hearing how you suggest we might approach the remaining challenge that I think all of us agree needs to be addressed.

Colonel STROBRIDGE. Sure. Well, we have approached the committee in the past and said we understand that those are big numbers. I think we have a record and the committee has a record of

trying to address these things. If we can't do the whole thing, we at least take steps. And the committee has done an admirable job of that on Concurrent Receipt.

We are in the process of a 3.5-year transition on the age 62 SBP offset. We certainly appreciate those. And I think a lot of us think that that is probably the way we are going to have to address some of these other issues, if we can't do them all.

I think Rick hit the nail on the head on the Concurrent Receipt. To us, the most egregious inequity under Concurrent Receipt is that—let me give you three examples.

If we have a member who has 20 years of service and a 10 percent combat-related disability, whatever 10 percent is, maybe you lose a finger, I am not sure what a 10 percent combat-related disability turns out to be, but that persons receives their full-earned retired pay plus their VA disability compensation.

If we have a person who was an early retiree during the drawdown and retired with 15 years of service and subsequently developed a 50 percent or greater non-combat-related disability, that person now is at least midway through a 10-year plan of phasing out that offset. So they receive their full-earned retired pay plus their disability compensation.

Yet a person who has 19 years and 10 months and is shot through the spine and becomes a quadriplegic in Iraq has to pay his full disability compensation out of his earned retired pay to the point where they may lose their entire retired pay. We think that is just not right. The whole point of a 20-year standard assumes that the person had a choice in serving 20 years.

To us, if a person gets that kind of combat wound and their lives are devastated to the extent where we have to mandatorily retire them before 20 years of service, to us, that becomes a vesting issue. We should vest their retired pay at the same 2.5 percent of pay, times years of service that we currently do for the people over 20.

And I think when you look at the cost of that kind of option, and there are several sub-options below that, it is way less and it is relatively small. We recognize it is still mandatory money, but the numbers are a tiny fraction of the numbers that you mentioned for the other. So, to us, that would be the top priority on Concurrent Receipt.

On the SBP-DIC offset, to us, we go back to the first step that we had on Concurrent Receipt, which, as you may recall, was a special pay. We avoided the mandatory payment issue by establishing a special pay that was a flat rate, and it was a fairly modest flat rate. There are ways to address that. If you had to, if the mandatory issue becomes too big or its too expensive to do the whole thing, there are ways to address some kind of phase-in increment in SBP-DIC.

And as we have said sometimes in the past, whatever amount of money is available, we will work with the staff to design a plan to come up with an initiative to fit that amount of money. The important thing, I think, is for these people whose lives are devastated by these offsets, we need to send some kind of message that we are not just going to give up because we can't do the whole thing, that we are going to try to make at least some kind of initial step.

Mr. MCHUGH. Thank you.

Mr. Jones.

Mr. JONES. Mr. McHugh, the numbers that you cite are, indeed, large, if taken in isolation and when taken in isolation—$9 billion over 10 years. The 10-year budget would probably be about $43 trillion over that same 10-year period as a percentage of a $43 trillion budget, we are really dealing with 0.05 percent of that money to correct an inequity.

There is a perspective here, and I wonder if those numbers that you use that Congressional Budget Office (CBO) suggests include the present value of the return of premiums on even the total of returned premiums. As you know, once an individual dies and leaves a survivor and the survivor is eligible, both for SBP and DIC, the SBP amount is offset by DIC, but the premiums paid to achieve that SBP offset are returned without interest to the survivor.

So there is a present value that needs to be considered in that calculation. I don't think it takes up for the full amount, certainly, but oftentimes the figure are a bit deceiving when taken in isolation.

This is really not a great deal of money in perspective of how much money is available within the total budget. And, indeed, how much money is being spent on any number of lesser priority programs, even programs that, however worthy, are not necessarily federal. The Federal obligation here is one that is locked in by contract under the SBP, and there is simply an inequity here, a problem that the SBP payment on annuity is not paid out.

So we would ask that you consider both the funding of this within the context of the overall budget and as a priority and we would hope you would make it a priority and fight for it, sir.

Mr. MCHUGH. Well, if I may, I don't disagree with your logic on CBO, but we don't get to make that choice, as you know. And we don't have dynamic scoring, and the Congress has to deal with the calculations on mandatory and discretionary spending that are given to us, and those are the numbers that are given to us.

I also don't disagree with your very reasoned and passionate argument about what is fair here and what our obligation is. And as I said, I think we have tried to respond to that in the past. But we are facing, and really what I was inquiring about is, absent headroom of any kind—and I don't know what the Budget Committee is going to do—but absent headroom of any kind, what can we do to address the inequities you cite so eloquently with less money?

Acceleration of Concurrent Receipt is currently underway. Do we take some other approach? That is really what I was searching for. You and I don't disagree for one second as to anything you just said on those programs and how they have to be corrected, but we do have a budget reality that is going to be a big challenge. But I appreciate your commitment and your passion.

I don't know if any of your fellow panelists want to make any comments.

Mr. BARNES. Mr. McHugh, I would just add that these are high priority issues for our association, the bulk of which are military retirees. I also share an observation with regard to the discussion about the percentage of Gross Domestic Product (GDP) that is allocated to defense.

In the 1990's, there was a significant drawdown, as we are all aware, and during that time, funding shifted from DOD and a much larger end-strength to many social programs. And during previous periods of war, as has been referenced by—I think Rick mentioned the percentage during past periods of war has been a much more significant percentage of GDP.

Our membership views this as something that they deserve, that they are entitled to, that they have earned. And they look at other spending priorities, they look at earmarks, what has gone on with the earmarks process, they look at the messages that are being spent, as an example, with regards to what is going on with the patients are Walter Reed, and question what are the priorities here.

So I just want to make that point. I know you are aware of this, and you have been very, very supportive of it.

And one last observation with regard to the SBP part. Understanding the funding challenges here but the paid-up SBP issue is a very high priority with our membership, and that is part of the overall discussion here, but that aspect of this is very important to our membership.

Mr. MCHUGH. Mr. Chair, if I might, I don't know—is somebody else going to comment?

Mrs. Raezer.

Mrs. RAEZER. Yes, thank you, Representative McHugh.

I just wanted to add that ending the DIC offset is a big concern for our organization. We have run numbers on what happens to survivor income given how the various benefit programs work. And because of that offset, some of our surviving families of our career service members take a huge hit in terms of their benefits, when that service member dies.

We have looked at the mix of benefits in young families, career families. In many cases, the junior families, when that service member dies, because of the mix of benefits, their monthly income actually goes up, but the families of the more senior service member, especially if they have older children, their benefit makes their monthly income actually go down significantly, in some cases.

What I was talking earlier about, long term, this is one of those long-term issues in terms of our nation's commitment to survivors to provide the earned benefit that really they receive for two different reasons.

So I echo what Colonel Strobridge said. We are willing to work with your staff and you however we can, identify money and then work on a plan to phase some help in.

Mr. MCHUGH. If I might, Mr. Chairman, I certainly don't want to speak for you, but I think that is an opportunity that after allocations come out we might want to take advantage of.

I would just say, as well, the full committee, in its views and estimates letter, had sought headroom in these areas. We will, I would assume, as a committee and as individuals, continue to press the Budget Committee. If you can help us there—I will speak for myself here—if you can help us there, it would be greatly appreciated and mutually beneficial.

Thank you, all.

Thank you, Mr. Chairman.

Dr. SNYDER. Thank you.

Mrs. Shea-Porter.

Ms. SHEA-PORTER. Thank you very much, Mr. Chairman.

My question, I hope I don't botch your name, is it Mrs. Raezer?

Mrs. RAEZER. Yes.

Ms. SHEA-PORTER. Okay. I was a military spouse myself, and I understand a lot of the pressures that the families are feeling, but this was during the Vietnam era.

And so I wanted to ask you if you would take us through maybe the first six months of what happens after a military member is either 100 percent injured or died? What is it like for the family? What is happening and what is the transition like? And who steps into their lives to help them and where the gaps are?

Mrs. RAEZER. I am going to speak in general terms, understanding that at any time an individual family may fall through the cracks or an individual family may find exceptional service above and beyond.

But when the service member has been killed in combat or a training accident, whatever, there is a casualty assistance process that starts at the installation, in terms of the notification and the support to help the family through the paperwork, arrange for the funeral, be with them to work through that process. Some installations also have established care teams of volunteers who come in, kind of, behind the casualty assistance, the notification and the official folks to provide more informal support, whatever that family needs. In many cases, the installation throws a lot of resources, whatever you need.

Folks often are fine when they are in that installation cocoon, because the support services are all there and can help them. Those support services can vary for our guard and reserve families or the folks who are farther from the installation, the parents of the single service members have a different experience sometimes than the families on the ground.

There are benefits that kick in. There is that $100,000 death gratuity that comes pretty fast in most cases, unless there are some child issues that we have heard about in the *Washington Post* and other articles.

Then there is the service member's group life insurance, there is a whole benefit package mixed in that then depends on—there is the DIC from the VA, but then you also have social security, SBP and how that benefit package works really depends on the age of the children, number of children, family circumstances. All of that gets very complicated for the survivors.

Survivors are allowed, if they are in housing on a military installation, to remain there for a year before they have their government move, and they do get that government move to go wherever they want their permanent home to be. So they are given more time than they used to be.

The survivor benefit package has improved over the years, and we are very grateful for this subcommittee's work in that effort.

And the casualty assistance support has also improved thanks to, in part, a lot of the survivors saying, "Hey, it is not right, it needs to be improved," and then the congressional enforcement and direction.

For the wounded, things can get a little crazier because of where is the service member, how long are they going to be at what hospital working the benefits, the traumatic service member group life insurance based on the injury has certainly helped, because it has given folks the money to help with some of those immediate expenses. But families are still—they have somebody with casualty assistance working with them to get them to the right hospital.

Unfortunately, what happens sometimes is that they do fall through the cracks in terms of coordinating care. We see this most often with folks who aren't familiar with the military bureaucracy—parents of single service members, some of our guard and reserve families who are dealing with that military bureaucracy for the first time and so don't know where to go, what questions to ask. And so if services aren't coordinated and if pieces of bureaucracy aren't working well together, then you can have families fall through the cracks.

What has been interesting for us to see now, if they are medically retired, they will have to move out of quarters, if they are in military housing. What we found is that most commanders will work with the family in terms of helping them through that transition process, but there is a time.

You have got to be medically retired, you are in a different set of benefits, you are treated as a retiree in terms of TRICARE, which means you are going to pay for TRICARE Prime. You may not be able to enroll in a military hospital for TRICARE Prime because their priority is active duty family members. You lose things like TRICARE Prime Remote and special programs. You are in a different dental program that you are paying more for than if you are still active duty.

So that transition can be difficult, especially if you are moving away from that installation cocoon back into a community. And there are also the children's schooling issues, the spouse employment.

One of the concerns we have had with the issues facing the wounded is it is not just what is happening to the service member and the future of their income but what is happening to the spouse's income, because the spouse may have to assume more of that caregiver role—either take leave from their job, quit their job, and then if they move away from where they have been assigned, find a new job that fits in with those caregiving responsibilities, which has caused some problems for some of our spouses.

Ms. SHEA-PORTER. So in what period of time do you think the military families feel the most vulnerable and maybe the most left behind by the system? Where do we, if we can, really focus our energy and our commitment.

Mrs. RAEZER. We have heard from families that it can be anywhere in the process. For some families, they get that initial rush of attention when the injury or when the death first occurs and then it kind of fades away. For other families, it is from the beginning. They have had to ask a lot of questions and fight to get certain benefits.

So what a lot of the families say is, "Give us a phone number, give us somebody to call who whenever we find out our benefits

have changed or we are encountering a new situation, we have somewhere to go.''

Some of our survivors, for example, say one of the hardest things is when they make that permanent move away from the installation and they have to change TRICARE providers, they have to fill out different paperwork and they really realize they are on their own outside of that installation support system.

But it happens at different places for different folks, and that is why having that go-to number, that go-to office, there is the focus for these issues, this is your ombudsman, this is who you can call to get some support from survivor issues.

We have had a lot of survivors tell us, for example, that they love their casualty assistance officers, they have been so supportive, but then maybe three, four months down the road, when those survivors may still need some help working through the government bureaucracy, their casualty assistance officer has been deployed. So that has come up. Most of them say, ''Just give us some kind of ongoing contact.''

Ms. SHEA-PORTER. So is the problem that at the very beginning—is there a solution for this where a family who is about to have a member deployed could benefit from a session where they are actually handed a list of numbers—it is a magnet sitting on the side of the fridge—or is it something that they just can't absorb it until it actually happens?

Mrs. RAEZER. They are given a lot of numbers. There is Military OneSource that can provide some of these services, and that's been a help, and we encourage as much information as possible and as much education as possible, and we encourage repeats of that information, because you always find a teachable moment, and some family members are very focused on some of these issues prior to deployment or right after the service member deploys; others don't want to think about it. And that is where sometimes trouble comes when folks haven't thought about it.

Ms. SHEA-PORTER. Right.

Mr. HANSON. Now, on the family support for the guard and reserve, Joyce has pointed out two issues that are very important. One is the distance from the established military bases and also with groups that are not familiar with the military bureaucracy.

Now, to their credit, each state has set up through the guard a family support center, which is doing very well within the guard system, and there is an open invitation for reservists to also participate through the same facility, although we are still trying to deal a little bit with the territorial area where reservists shy away from going to a guard activity.

In addition, the reserve chiefs are starting to develop their own programs, because family support is top priority for all these commands. And I think Joyce emphasized it, and I just want to touch upon it again, the key importance, especially for family members of the guard and reserve, is the education, teaching them what is available out there, because they are even further removed from the military side.

And I think it is going to take, in some cases, a very proactive reaching out to these families to let them know what is available

who otherwise feel that they are left alone out there, and that is the worst case any family, active or reserve, should be in.

Ms. SHEA-PORTER. Anybody else like to comment?

Colonel STROBRIDGE. If I may add one thing about the retired survivors, the older survivors and some of the problems that they face, and one of the reasons why we are so concerned about the SBP-DIC offset.

As Joyce said, when you are near a military installation, when you are on active duty, there are all kinds of opportunities for support. When you are retired and the service member who has been disabled dies of service-connected cause, maybe a year or two years or three years or five years after leaving service, that support is not there. And these survivors really are at a loss as to how to deal with this.

They are not familiar with the benefits. Very often, they are not aware even that you can apply to the VA to get dependency and indemnity compensation. They may find out a couple years later and apply late. Then they receive a lump sum check from the VA, a large lump sum check, which they are relieved to get. They may pay some bills.

All of a sudden, that gets over to the finance center, they then get a bill from Defense Finance & Accounting Service (DFAS) saying, "Now you have got DIC, you owe us," and we literally have widows getting a bill that says, "You owe us $20,000 and you need to pay by such and such a time, and we are going to charge you interest on it." They are frantic, because there is no explanation of why they owe this, there is no calculation; it is just a dollar figure.

And if these have gone a long time like that, this is a two-step process where part of it is done by computer and then the rest of it is done by a person. In those kinds of cases, they will then, maybe a month later, get another bill for a different amount. Does this mean the first one was wrong? In fact, it is two bills; they owe both. And so they may get one for $20,000 and another one for $10,000.

As you can imagine, these people are frantic, and they do all kinds of things to get money to pay this bill, and then they get a check from DFAS for a refund of premiums. They don't know where this is coming from. None of this is explained to them. It is just a terrible, terrible process to put these widows through, and it just happens so often to us. That is one of the reasons we have got to get this taken care of.

Ms. SHEA-PORTER. I do remember where people said they had felt like they had been thrown out of the family if they had an injury or a death, and I am hearing the same thing again all these years later. So we have to address this, not only because it is morally the right thing to do, but they tell stories to others who might consider enlisting. And so for many, many reasons, we need to take care of these problems, and I appreciate you sharing them.

Mrs. RAEZER. What has been interesting is we have seen some installations who have responded to the survivor needs by actually setting up survivor centers and counseling groups and support groups. And I didn't mention that the Army Casualty Assistance Office has set up a toll-free number and a Web site to help provide resources for these Army survivors. But families do feel, in some

cases, that they are out of the family, and it is hard for them. They have already dealt with one loss. To deal with the loss of their community is what many of them talk about.

Ms. SHEA-PORTER. All of us here appreciate the service.

Thank you.

Dr. SNYDER. Mr. Murphy.

Mr. MURPHY. Thank you, Mr. Chairman.

Thank you for everything you do for our troops and for our country; we appreciate that.

As you know, when our troops are activated and sent overseas, they sacrifice a lot in order to serve our country. Oftentimes, they leave their jobs, their friends and, most importantly, their family.

Having served myself two deployments after 9/11 for the Army and sitting next to a military spouse here, we know how important it is to have unwavering support for our troops, especially the Family Readiness Groups (FRG). They are absolutely critical, and not just for the families but for the soldiers or the troops deployed.

We mentioned at the last hearing, Mr. Chairman, that a warrior's mind is even more important than the warrior's body, especially in those settings where they are overseas in harm's way.

I am very proud and I would like to mention the fact that the Family Readiness Group of the 913th Airlift Wing, right next to my district in Willow Grove, Pennsylvania was recently selected as the Air Force Reserve winner of this year's Department of Defense Reserve family readiness award. They do phenomenal work, and I want to make sure that they continue to serve our troops and their families, and I wanted to recognize them today, and thank you for being there.

But I wanted to talk about as far as the operational tempo of the FRGs. With funding levels as they are, do you think it is possible for our nation's FRGs to continue operating at current levels or will the services have to scale back? And if they have to, how do you see this hurting our reservists and their families, and our active duty troops as well?

And, Ms. Raezer, I probably would turn to you first, and then if others could also comment.

Mrs. RAEZER. Well, we hear from the Family Readiness Group leaders and the unit volunteers, the key volunteers in Marine Corps, the ombudsman in the Navy and the Coast Guard, the family volunteers in the Air Force, we hear from all of them a lot, and what they tell us is that they are getting exhausted. Many of them are suffering from compassion fatigue. They have been giving and giving. They understand their importance as mentors and as supporters for other families in their units, but they are getting tired.

The military services have come up with some ways to help the volunteers. The Army has a contract for what is Family Readiness Group assistance who are folks who work as kind of an admin support level for a command and are responsible for supporting several Family Readiness Groups in setting up meetings, doing newsletters, manning the Web sites to take some of that administrative burden off the Family Readiness Group leaders.

Each unit has some kind of rear detachment presence. The Marine Corps has both family readiness officers who stay behind and family readiness Non-Commissioned Officers (NCO) who stay be-

hind to help support the families. And that kind of command-linked support is very, very important for our Family Readiness Group leaders and our key volunteers in taking some of the burden off them.

One of the things that come up from our volunteers the most is that they want professional support to back them up. They say, "Family members are coming to us who are suicidal, have financial problems, issues with their children, asking us to be social workers, to be chaplains, to be medical personnel. We can't do that. We can be volunteers to organize them and help build morale and direct them to resources, but we can't be the professional. We need that professional support."

One program we were really pleased to see was the 1st Armored Division out of Germany, actually the 1st Brigade Combat Team instituted a program where mental health resources in the community, the alcohol and substance abuse counselors from the schools, social workers who were attached to the clinics, each of those medical personnel was assigned as a liaison with a certain company, certain battalion family readiness structure, and they were that professional backup, and the families tell us having that extra security really helped a lot.

So it is getting that professional backup to the family readiness volunteers. We are very concerned about volunteer burnout. We hear from quite a few saying, "I have done two deployments, I have done three deployments. I cannot be in this volunteer role in another deployment."

So getting that professional support to back them up is critical, and recognizing just how much they support the mission is essential. So the support needs to grow.

Mr. HANSON. In addition, for guard and reserve units, typically you will find that the commanding officer's spouse is assigned informally as a unit ombudsman to work with the spouses of the other unit members. Most frequently, this is done without any formal training, so they are kind of learning on the job, trying to find the resources that are available to them. So you can only imagine the type of frustration that these spouses may be facing when they become a supplemental staff to a deployed unit.

And statistics show that it is spouse support of the guardsman or reservist that is either the number-one or number-two reason why they leave the service. So these pressures are building and are probably getting worse. And we are seeing a big change occur because in the past the reserve has been a strategic reserve where it is called upon for that——

Mr. MURPHY. Mr. Hanson, I am sorry, can you just repeat what you just—you said the number-one reason people are leaving is spouse support?

Mr. HANSON. When we survey reservists or guardsmen who are leaving, they either give spousal support as their number-one or number-two reason that they are leaving, because of pressures at home, because of circumstances, and this is only growing greater and greater with the ongoing deployments that are occurring.

And with the shift of the reserves from a strategic to an operational reserve where former weekend warriors are becoming part-time warriors, you are seeing these pressures only grow. And I

know there is a lot of discussion among the serving members, and I imagine amplified even more among the spouses, with DOD's new policy where they are saying the reservists can anticipate that for one year on and five years off they are going to be on call for the long war.

So as Steve said earlier in his testimony, the concerns of members voting with their feet and leaving is a great one I think with all the associations in this panel, and we are watching this situation quite closely.

Mr. MURPHY. Real quick——

Dr. SNYDER. Go ahead.

Mr. MURPHY. Is there any codification, either in the National Guard or reserves or active duty, with these Family Readiness Groups whether or not they allow a deployed troop or fiancee or girlfriend to be included or is it informally they allow them?

Mrs. RAEZER. The practice has been pretty much across the board since the beginning of the war is the call is the service members on whether a parent or a girlfriend or significant other can get on a mailing list. We have seen Family Readiness Groups reach out to the parents of the service members. And if the service member chooses, it is the service members' call, the service member can give that contact information to the family readiness volunteer.

It is one of the things we have been watching, because now you have expanded the number of people who are in contact with that family volunteer, and we don't want to overload, but the services have recognized that their service members come with many family members, and so there has been an outreach through—the Web sites have certainly made it easier. They can e-mail newsletters to keep those family members in touch.

We have heard of several guard and reserve units where it has been parents of single service members who has actually become the Family Readiness Group leaders. So when it is working well, that outreach and involvement opens up a whole new pool for volunteers and gets more family members involved.

Colonel STROBRIDGE. Congressman Murphy, I think you started your question asking about the resources and funding for the Family Readiness Groups, and one of the things that we have been hearing is that because these groups are part of the base operation support, those accounts are in fact getting robbed to fund operational needs.

That always happens. We hear libraries closing, gyms closing, all kinds of support services being curtailed. Well, that is also happening to the funding for the Family Readiness Groups to issues like child care where the services, basically, are being curtailed in order to get money to meet operational wartime requirements.

I think that is a concern across the board, but it is disturbing at the very time when we need these groups the most. We have spent a lot of time and several years building them up to the point where they were pretty well funded. All of a sudden, we are seeing that that funding is decreasing for that purpose, and that is a big concern.

Mr. MURPHY. Thank you, Mr. Chairman.

Dr. SNYDER. We are going to go another round here.

Mrs. Raezer, would you tell us any thoughts you have about child care, part one, part two, DOD schools?

Mrs. RAEZER. Child care in two words: not enough. We are so——

Dr. SNYDER. Not enough quantity or not enough quality?

Mrs. RAEZER. Not enough quantity.

The quality is there. DOD has created a quality child-care system that takes a lot of the worry off the mind of a service member who has their child in a DOD child-care facility.

But what we hear from families is that in too many places there are waiting lists. The number-one thing we hear in terms of access is the support for the volunteers and support for folks who don't need full-time child care but who need respite care or part-time child care, either to volunteer or work a part-time job or when you have a service member deployed deal with other issues in the family and need child care that is deployment-related child care on installations is in very short supply.

We thank Congress because there has been additional funding for child care that is provided some subsidies for guard and reserve folks who are out where there aren't military child development centers, to help those folks access child care with some financial support. DOD has worked partnerships with private, non-profit National Association of Child Care Resource and Referral Agencies (NACCRRA) that helps in finding child care for service members and families.

So there has been progress but not enough. One of our big concerns is with the BRAC and the global rebasing that some of these installations stateside that are going to grow, we need to get those child-care facilities plugged in and ready before the families arrive. And so we have very, very concerned. There has been some temporary solutions that have been put in law to help, but we need the BRAC funding and we need the construction for those facilities.

But in terms of quality, families are very, very pleased with the quality they get at the DOD child development centers. It is just the quantity. We have been impressed with the innovations, like some of the Navy's 24-hour centers in Norfolk and Hawaii that meet the needs of those communities. More needs to be done to attract and keep military spouses who are the family child-care providers, whether they are on the installation or maybe in the community.

DOD is only gradually putting in place provisions to allow folks who have been living on an installation, who were trained up, certified as family child-care providers and then moved to another community and have to live off-base. DOD needs to keep them as child-care providers, and it has been moving kind of slow to do that. So we would like to see them continue to look at that military spouse pool in terms of child care.

Regarding DOD schools, the biggest concern our families have right now in terms of DOD schools, where there are DOD schools, is what happens with the move out of Europe. A lot of concern about the stability of the staffing and the programs in the communities that are closing, that they will remain until those schools are closed, and then what happens if children are moving back to communities, will there be enough space for them?

The way we see the moves going, however, back to the states, most of those kids won't be eligible for DOD schools. They will be going into civilian schools somewhere, and so our concern really with the moves from Europe is how are the civilian schools going to be ready to be able to educate these large numbers of students moving in?

But the DOD schools have done quite well in supporting families when the service members are deployed. We hear good things from families in Europe. The big concern is the drawdown, the good teachers leaving a school that is going to close in a year or two to make sure they have a job somewhere else. So whatever can be done to keep those community schools viable up until the day the families leave really needs to happen.

The other thing that we would add is, in the last drawdown in Europe, a lot of the new teachers—the seniority system worked, and so the new, young, innovative teachers, the last hired, were the ones who were let go, and some of the older teachers who didn't have an incentive to retire stayed. And there were some issues in the 1990's regarding DOD schools and quality, and a lot of it was related to some of the drawdown that happened.

We would hope there is something in place that would allow Department of Defense Education Activity (DODEA) to offer selective retirements bonuses to people who need to retire but work to retain some of the good, new blood they have brought in, because the teacher quality issue is so important.

Dr. SNYDER. Mr. McHugh.

Mr. MCHUGH. You caught me in mid-ice cube, Mr. Chairman. [Laughter.]

Let me turn to my friends on the resale side of the table. As all of you know, the overseas population that has traditionally been such an important part of the customer base of these facilities, exchanges and commissaries, overseas are beginning to be redeployed back to the United States.

Appropriated funds support coming out of DOD for those activities, where applicable, has been steady but steady does not take into effect the impact of inflation. You can argue that each year without an increase is, in real terms, a decrease.

And then yet I think we have seen through the management of the commissaries and the exchanges great efficiencies, great effectiveness to hold the line. But I worry about their ability to continue to do so. And on the commissary side I worry about the five percent built in markup, would that have to be increased. I worry about pricing opportunities, staffing levels, et cetera, et cetera.

I was wondering if you could sketch out for us, for the benefit of the subcommittee members here and also for the record, where you see the greatest challenges for the resale system, as it looks to you from this point, and what you think we might best, as a Congress, first turn our attention toward?

Mr. Becker, you want to start? Mr. Molino? Whichever, whomever.

Mr. MOLINO. We tossed a coin, and I lost, sir, so I will go first.

Mr. MCHUGH. So you are going second.

Okay.

Mr. MOLINO. I was at the hearing when the retail chiefs testified, Mr. McHugh, and I heard your concerns voiced that day and again today, and I think you are right on the money. I think the biggest challenge on the exchange side of the house is clearly with the Army-Air Force exchange. Navy and Marines are not seeing the impact of rebasing and global repositioning but AAFES is.

Now, of course, AAFES also happens to be the 500-pound canary in this equation, and if they suffer consequences of customer loyalty going away when they become Continental United States (CONUS)-based, the impact on the dividend is going to be enormous. And, frankly, it is frightening.

As you know from previous meetings we had when I served in the Pentagon, it was a great motivator of mine to look for creative ways to approach this situation, because I think looking over the horizon AAFES has some serious issues they have to consider insofar as being a CONUS-based business. With so many opportunities outside the gate that a military family base, two-thirds of which live off the installation, have to drive past these retail opportunities before they get on the installation.

On the DeCA side of the house, Mr. Nixon's quite eloquent about that: The cost of construction is just such now that the five percent surcharge is challenged greatly to be adequate to recapitalize. If we just look at what the department is doing on Guam, there is nothing there that isn't shipped there. So you have the cost of shipping, the cost of steel, the cost of all this stuff that goes into it.

I agree with you that increasing the surcharge is, we all hope, not the way we have to go. When you walk into the commissary as a customer, you know the formula pretty much. Most are pretty well-informed shoppers. They understand that the price they see is essentially what was paid for that product and that at the end they end the five percent surcharge to cover recapitalization.

These are challenges that need to be faced and need to be reconsidered. I don't have a magic answer. I know that we are working with the exchanges and with the commissaries so that we can collaboratively look for solutions and that we can advocate on their behalf when those solutions become apparent.

Now, I will turn it over to the smart guy to come up with the real answers, though, if you don't mind.

Mr. BECKER. Thank you.

It would be difficult to expand too much on that, sir, and I think those comments I certainly concur with across the board.

I would only have to reemphasize the significance of recapitalization of the infrastructure itself that is being used to provide those benefits. The operators have done, in my view, an exceptional job with the resources they have been afforded, and I think it is something we can all be very proud of.

Certainly, the changes and the demands going forward are going to introduce some significant shifts, and they are going to have to be addressed. I admire the optimism expressed by some of the resale system commanders with respect to how well they can manage in these challenging environments, but I do feel as if our agreements that offered to these service members and their families will require incremental support, particularly in the area of infrastructure recapitalization.

I think looking forward, the challenges are relatively difficult to address because of the environment, because of the number of issues that require attention. I think my opening comments, if I can reflect on those, refer to an opportunity at the margin, and I think that, in particular, is deserving of attention, because the perception of the quality of the benefit, I think, is at greater risk for relatively small sums versus the cost of maintaining the infrastructure.

Mr. MCHUGH. Mr. Chairman, the light is on, so why don't we——

Dr. SNYDER. Go ahead.

Mr. MCHUGH. Well, I was going to just give him a chance to hit a softball and say, what about ASER?

Mr. BECKER. So I get the coin now. Appreciate the opportunity here, and I think this, again, should bring us to reflecting on the infrastructure that you already effectively own.

It is there. The restrictions that were placed on products to be sold in the military resale system are clearly antiquated. The terms of sale that take place every day when they shop in the exchanges are exceptional. They were defined and designed to accommodate a unique shopper.

Having that already in place and being the most complex aspect and then failing to offer goods in this day and age should be sold through the exchanges seems to be an underutilization of a great asset. I say that in the form of credit and cost associated with credit, discontinuance on payments for deployed service members. All of those terms that are designed to accommodate them should be utilized and leveraged as a benefit more fully, and expanding those categories would certainly do that.

Mr. MOLINO. I have very little to add. Jed hit it right on the head, though. If you expand that which they have access to within the current system, then all of those rules of sales apply, especially the deferral of payments while the member is deployed. If he or she buys that product downtown, that level of understanding and sympathy is certainly not there, in addition to just the right way to give them the choices that they should have in this day and age.

Mr. MCHUGH. Thank you for your forbearance, Mr. Chairman. I am lobbying for lobbyists today. I lobbied our left side of the table, now I am going to lobby the right side.

As you two gentlemen know so very well, this subcommittee and committee have been not fully open to wiping away some restrictions, but we have provided some flexibilities that the other body, as we say, has not been so receptive toward.

So I would just ask you if—and I am not questioning their motivations or even, at this moment, their decision, but, clearly, it takes three to tango in the Arthur Murray School of Government—the House, the Senate and the Administration. So it might behoove you, and us, if you had a chat with our brethren in the Senate on these issues as well. And I am sure you will.

So thank you.

Thank you, Mr. Chairman.

Dr. SNYDER. Mrs. Shea-Porter.

Ms. SHEA-PORTER. I appreciate the comments that you were making and the troubles that are existing, but I wanted to ask you, are the big box companies the ones that you seem to be dancing

around right now when you talk about offering products and being able to compete?

Mr. Molino? Either one?

Mr. BECKER. That certainly is the most competitive front, and I think as their proposals become more compelling to a consumer, and in this case the military family, again, we lose them to terms that are less favorable, frankly.

But, yes, those are the competitors that are doing the best job of increasing the quality of their proposal to those consumers.

Ms. SHEA-PORTER. Okay. So you are basically still limited in a product can offer, and that keeps you from being competitive. And I see a nod there.

Can you tell me, because I am not as aware of this as my colleagues who have been here longer, what kind of products? I have an idea that there is furniture and some others, but is it across the spectrum or are they just particular items?

Mr. MOLINO. There is a long history with furniture, ma'am, about whether it be just knock-down furniture or of a permanent structure. Electronics, the size of the television, the nature of the projection, of the image, that is where the committee has drawn the line, the Congress has drawn in the line. And then in jewelry, the size of the diamond. You can buy the diamond, but if it is too big, you have to buy it off the installation. Essentially, that kind of wraps it up.

Mr. McHugh is absolutely right, though. This panel has been far more willing and open to hear alternatives and has taken the lead in pulling back on the restrictions, the ASER restrictions, and the real challenge is on the other side of the Hill to get this a little clearer.

Ms. SHEA-PORTER. Can you talk to me a couple minutes, please, about the exchanges overseas and what our service men and women are facing there. Do they have what they need and are you able to offer a price that is more competitive than the markets overseas?

Mr. MOLINO. In the overseas environment, for fairly obvious reasons, customer loyalty is not an issue. I mean, if you generally want American goods and shop as you would at home, it is the exchange.

The concern I voiced earlier, and I apologize if I mislead you in any way, is that as the bases close overseas, the concern is that shopper loyalty, especially in the AAFES system, when they come back to the continental United States and the big boxes are indeed out there, outside the gate, and you have to make the conscious choice to drive past the big box or the category killer to get to the military exchange.

But everything we have been hearing from the industry and from the beneficiaries is a level of satisfaction with the stockage in exchanges overseas.

Ms. SHEA-PORTER. Thank you.

Dr. SNYDER. Mr. Murphy.

Mr. MURPHY. Thank you, Mr. Chairman.

When I talked to the recent veterans from Iraq and Afghanistan about health care, the largest complaint that they have is access

to a doctor in the months immediately following their discharge from active duty service.

I believe that working on a seamless transition between DOD and the VA health care is critical. Often veterans are forced to wait months to get a doctor's appointment after their active duty service ends. It seems to me that in the transition between active duty and civilian life, both departments should shoulder the responsibility to care for these veterans who have served so bravely and so honorably.

What are your opinions on this matter? Should DOD be required to assist the VA? If not, then what reforms should be taken at the VA to make sure that our veterans that have recently left active duty have rapid access to a physician?

Mr. BECKER. Mr. Murphy, I will start on that.

There is a great deal of concern in our association, as the other associations represented here have been addressing, some of the bureaucratic issues associated with the seamless transition issue for many years. They are not getting an intense spotlight based on incidents at Walter Reed Army Medical Center.

There are provisions, laws on the books that date back as far as 20, 25 years with regard to sharing between the two departments to ease the transition; however, those have not been effectively implemented.

The bureaucratic challenges, and there are many aspects of that, from the type of medical records, whether it be electronic with two different systems between the two departments, or reliance on hard copies for administrative processing here, compounded with requirements within each of the individual services with regard to separation, categorizing, determining the level of injury and what have you, the boards that are associated with that, makes this very, very complex, and we are seeing that firsthand.

Fortunately, the spotlight is on right now, and there is a window of opportunity to address this and hopefully untangle some of the administrative challenges with two major departments: the Department of Defense and the Department of Veterans Affairs.

There was a commission several years ago that specifically addressed and looked at DOD-VA health-care sharing, and we testified on that and monitored that very closely. Unfortunately, as with many study groups, commissions and what have you, the recommendations do not get teeth or they are not fully implemented, and that is a source of great frustration with our membership.

Mr. HANSON. Continuing on down the panel, because I think each association will have a lot to contribute on your question, sir, is the nature of our concerns. And Joe brought up a lot of the points that I wanted to highlight, but I think each association on this panel supports having separation physicals, rather than medical screening, which DOD encourages.

And I think you have already heard testimony to the fact that when an individual gets to a demobilization site, oftentimes they are faced with two lines, one to quickly demobilize and get back to their home and the other one where they are told that if you go through the separation physical, it will take a week or two longer.

And oftentimes there is a choice by our young heroes that home is more important than perhaps getting the I's dotted and T's

crossed, and they lose that ability to get a physical baseline. And then when ailments show up a month or two or longer later, they have to go into the VA system and get into the longer queue of getting evaluated by the Veterans Affairs.

In addition, if you look, there is even longer lines that occur when you come to the actual Medical Evaluation Board (MEB) process where individuals who have disabilities and injuries have to go through the MEB and then the Physical Evaluation Boards. And I sat on the Navy's Physical Evaluation Board as a reserve representative for two years in the process, because rather than talking weeks, then you are talking months of delay.

And, oftentimes, we are seeing our young men and women sign waivers and lower disability ratings than they should deserve because, then again, they want to go home, be with their families and face the complications of medical hold.

And we feel that these individuals should be given a choice to where if they want to go home and then report back for the processing of these Medical Evaluation Boards and Physical Evaluation Boards, they should be able to basically commute to where the decisions are being done at the expense of the government, to where they can be near their support base rather than be stuck in some type of hold barracks, as is being discussed with Walter Reed.

Mr. JONES. Mr. Murphy, we need to get DOD out of its stovepipe mentality with regard to their appreciation of their own electronic records. We were appalled last January to learn that DOD established some legal barriers to disrupt the transformation of information from DOD to VA at four trauma centers, putting at hazard the proper care of our wounded, most critically wounded soldiers.

That dispute has been settled, but that is one dispute among many that occur between DOD and VA.

The seamless transition of medical records was supposed to have been accomplished by 2005, according to DOD and VA. As you look at testimony over the years, it just seems as always is DOD is in the way. They always seem to think their method is superior. Yet we find that wounded warriors in Landstuhl are being transferred with their records paper clipped, stapled or baby-pinned to their uniforms. They aren't being transferred with electronic records.

DOD has nowhere near, what we believe anyway, nowhere near the established sophistication that VA has in its medical record-keeping area. And we would like to see that barrier broken down. We don't want our folks to fall through the bureaucratic cracks.

This transition is important. We need to care for these folks, and one way is to make sure that we recognize that DOD and VA are dealing with the same individual and that these privacy laws that prevent, according to some of the lawyers at DOD, the transmittal of information back and forth shouldn't be a barrier at all. We need to, as some would say, get some new layers.

Mrs. RAEZER. Another issue that is important is the education to the service member and the family about the various benefits and how they work together. You take a guard or reserve member coming off active duty, for six months they are eligible for Transitional Assistance Management Program (TAMP), which means they are still eligible for TRICARE. They also can use the VA. Their family still has the TAMP benefit.

And then the guard or reserve member now also has the option of buying into TRICARE Reserve Select, some of them are going back to their employer-sponsored insurance, and so there is a lot of confusion about how all of these benefits work together, when do you go to the VA, when do you use TRICARE, and it is confusing for the family and the service member. And sometimes not knowing where to go keeps people from going anywhere and they don't know how these benefit programs work together.

So there is a lot more education that needs to be done, because sometimes the families aren't getting any of the briefings because they are back at home already, and the service member, as has been noted, is in the line, all they want to do is go home, and they are not picking up the right information that they and their families may need later in terms of accessing their health care.

Colonel STROBRIDGE. I come back, I think, to the point where you have DOD people working DOD's side of the problem from DOD's perspective. You have VA people working VA's problem from the VA's perspective. They are well-intentioned, but there is nobody managing and in charge of the whole process. And we feel very strongly that there needs to be established a joint DOD-VA transition office that is permanently staffed, whose mission is to manage people during their last 6 months or 12 months on active duty through to their first 12 months under the VA system, to be in charge of coordinating those efforts so it is not just somebody's part-time job.

And, to us, this would be a full-time, permanent organization. To us, that is the only way these problems are going to get solved. We have been working on them for 20 years, and they are still around. To us, you have got to make is somebody's primary job to make it happen and not just a bunch of part-time people meeting once a month.

Mr. MURPHY. All right. Thank you.

Thank you, Mr. Chairman.

Dr. SNYDER. As I mentioned earlier, Susan Davis, the congresswoman from California, is in a House Admin meeting, but I wanted to ask one question that she had passed on to me, the issue of—and I should have asked it myself since I was a family doctor in the olden days—but I think I will direct it, Mrs. Raezer, to you and to Colonel Strobridge the issue of TRICARE and TRICARE providers.

What are you currently hearing from your folks about how they are doing as far as getting a physician that accepts TRICARE and how you see that is going?

Mrs. RAEZER. When my association hears from active duty family members, the number-one access issue is, as I stated earlier, access to an appointment in a military treatment facility.

Now, our guard and reserve families and some of our retiree families who are our away from military treatment facilities (MTF) also report—and it is sporadic, I mean, there is some places where it is difficult to find a provider who understands TRICARE or accepts TRICARE, if there is a TRICARE network, will be in the TRICARE network.

What we have found is that the MTF access issue is actually noisier for our population, as the military's deployed providers.

That remains a problem. But we are pleased to see some of the efforts, the TRICARE management activity, individual TRICARE contractors, in trying to pull more people into the network, to pay providers faster, to encourage them to accept TRICARE patients.

Some of the governors, especially in the western states, have had some success in appealing to the patriotism of their state's providers to say, "We have this guard and reserve population out here, their families need medical care, the military retirees need medical care. We need you to accept TRICARE," and they have had a certain amount of success in certain states. Idaho, for example. So it is a community effort.

Dr. SNYDER. You may remember that Dr. Schwarz, Joe Schwarz——

Mrs. RAEZER. Yes.

Dr. SNYDER [continuing]. And I did a joint statement that was put in an American Medical Association (AMA) publication nationally regardless of what you think about rates or whatever, you need to step forward. I don't know if it did any good or not, but we felt better about it.

Mrs. RAEZER. Well, but it is a shame it has to get to that level, that you have to result to these appeals to patriotism. So there still needs to be continued work on TRICARE reimbursement rates. Doctors continue to say they are too low. DOD's specific requirements for claims are cumbersome. A lot of doctors feel that they are, and they cite that as an example. But, luckily, many of the claims are being paid faster, which has helped a lot of folks.

Dr. SNYDER. Mr. McHugh, do you have anything further?

Mr. MCHUGH. No.

Dr. SNYDER. Ms. Shea-Porter, do you have anything further?

Ms. SHEA-PORTER. I just wanted to say thank you again for appearing. It has been very, very informative for me, as a new member and also as a former military spouse, to see that a lot of things haven't changed.

Dr. SNYDER. And there may be members that have questions for the record, and, as you know how it works around here, the more timely you are in responding, the more it can shape it our behavior as we head down this line.

I want to thank you again for coming back here this week, and maybe we will see you next week. Thank you all very much. We appreciate you being here.

This hearing is adjourned.

[Whereupon, at 4 p.m., the subcommittee was adjourned.]

A P P E N D I X

MARCH 1, 15, 2007

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

MARCH 1, 15, 2007

Opening Statement Chairman Snyder
Hearing on the Views of Military Advocacy and Beneficiary Groups
March 1, 2007

Let me welcome our witnesses, we appreciate you all being here today. Today's hearing includes representatives from the various military advocacy and beneficiary groups. This year, we have asked the organizations to testify on a broad range of programs and policies that impact service member, retirees and their families. Normally, these organizations would be afforded the opportunity to share their views on the specific topic at individual hearings, while helpful, it did not insight into the full spectrum of issues that they support nor did it allow understanding of the priorities among the programs and policies being sought.

This hearing will allow members of the Subcommittee to hear first hand the challenges that are being faced on the ground, and areas in which these organizations believe Congress should focus its attention. I hope that this hearing will provide members the opportunity to learn of the broad range of concerns being raised, and will keep these issues in mind as the Subcommittee continues its oversight activities during the rest of the year.

Welcome,

Mr. Joseph Barnes
National Executive Secretary

Fleet Reserve Association

Marshall Hanson

Legislative Director

Reserve Officers Association

Mr. Rick Jones
Director of Legislation
National Association for Uniformed Services

Mrs. Joyce Raezer
Chief Operating Officer
National Military Family Association

Colonel Steve Strobridge, USAF, Retired

Director Government Relations
Military Officers Association of America

Mr. F. Jed Becker
Vice Chairman
Armed Forces Marketing Council

Mr. Douglas B. McAlister

Chairman of the Board

American Logistics Association

Lady and gentlemen, welcome, I would ask that you testify in the order that I stated. Mr. McHugh, do you have any comments that you wish to make?

Opening Remarks – Rep. John M. McHugh
Military Personnel Subcommittee Hearing
Views of Military Advocacy and Beneficiary Groups
March 1, 2007

Thank you Dr. Snyder.

The hearing memo sent by staff to members for this hearing describes the organizations represented by our witnesses today as "military advocacy and beneficiary groups." And while no one should doubt the ability of these organizations to advocate for their members, I must say that in my experience, these organizations over the years have performed a far more valuable service than simple advocacy.

What I have found is that because of the longstanding and unstinting dedication and commitment that these organizations have to the men and women of the military, they have been eminently successful in providing feedback to us on how laws and policies that we enact are being implemented. They are the additional sets of grassroots eyes and ears – the essential scouts, if you will – who observe, hear and report on conditions in the field. Without them, we

would be handicapped in our ability not only to make law, but also to amend it.

So today's hearing is important in that we have a broadly representative group of these organizations to discuss their priorities and concerns. I look forward to their testimony.

Statement of

Joyce Wessel Raezer

Chief Operating Officer

THE NATIONAL MILITARY FAMILY ASSOCIATION

Before the

SUBCOMMITTEE ON MILITARY PERSONNEL

of the

HOUSE ARMED SERVICES COMMITTEE

March 1, 2007

Not for Publication
Until Released by
The Committee

The National Military Family Association (NMFA) is the only national organization whose sole focus is the military family. The Association's goal is to influence the development and implementation of policies that will improve the lives of those family members. Its mission is to serve the families of the seven uniformed services through education, information, and advocacy.

Founded in 1969 as the National Military Wives Association, NMFA is a non-profit 501(c)(3) primarily volunteer organization. NMFA represents the interests of family members and survivors of active duty, reserve component, and retired personnel of the seven uniformed services: Army, Navy, Air Force, Marine Corps, Coast Guard, Public Health Service and the National Oceanic and Atmospheric Administration.

NMFA Representatives in military communities worldwide provide a direct link between military families and NMFA staff in the nation's capital. Representatives are the "eyes and ears" of NMFA, bringing shared local concerns to national attention.

NMFA does not have or receive federal grants or contracts.

NMFA's website is: ***http://www.nmfa.org***.

Joyce Wessel Raezer joined the staff of the Government Relations Department of the National Military Family Association as a volunteer in September 1995. She served in several paid positions within the Department before being promoted to Director in December 2001. In February, 2007, she was named Chief Operating Officer. In that position, Joyce guides the management of the Association's programs and initiatives that serve the families of the Uniformed Services.

Joyce has represented military families on several committees and task forces for offices and agencies of the Department of Defense (DoD) and military Services. She has been a member of the Defense Commissary Agency (DeCA) Patron Council since February 2001. She served as a beneficiary representative, from September 1999 to December 2000, on a Congressionally-mandated Federal Advisory Panel on DoD Health Care Quality Initiatives. Joyce has served on several committees of The Military Coalition, an organization of 36 military-related associations, and is co-chair of the Coalition's Personnel, Compensation, and Commissaries Committee.

In 2004, Joyce authored a chapter on "Transforming Support to Military Families and Communities" in a book published by the MIT Press, *Filling the Ranks: Transforming the U.S. Military Personnel System.* She was the 1997 recipient of NMFA's Margaret Vinson Hallgren Award for her advocacy on behalf of military families and the Association. She also received the "Champion for Children" award from the Military Impacted Schools Association in 1998. In 2006, she was named a recipient of the Gettysburg College Distinguished Alumni Award.

A Maryland native, Joyce earned a B.A. in History from Gettysburg (PA) College, and a M.A. in History from the University of Virginia. An Army spouse of 25 years and mother of two children, she has lived in the Washington, D.C. area (4 tours), Virginia, Kentucky, and California. She is a former teacher and was elected to the Fort Knox (KY) Community Schools Board of Education in 1993, serving until August 1995.

Mr. Chairman and Distinguished Members of this Subcommittee, the National Military Family Association (NMFA) would like to thank you for the opportunity to present testimony today on the quality of life of military families. Once again, we thank you for your focus on the many elements of the quality of life package for service members and their families: access to quality health care, robust military pay and benefits, support for families dealing with deployment and special care for the families of those who have made the greatest sacrifice.

NMFA endorses the recommendations contained in the statement submitted by The Military Coalition. In this statement, NMFA will expand on several issues of importance to military families in the following subject areas:

I. Family Readiness
- Ensuring Robust Family Programs and Installation Operations Support
- Caring for Military Children and Youth
- Financial Readiness
- Spouse Education

II. Mental Health
- Progress Made
- Barriers to Care

III. Family Health
- Improving Access to Care at Military Treatment Facilities
- Help for Families Far From Home
- TRICARE Fees: What's the Answer?
- Wounded Service Members Have Wounded Families
- Support for Families with Special Needs

IV. Families in Transition
- Base Realignment and Closure (BRAC), Global Rebasing, and Service Transformation
- Survivors
- Military Moves

V. Compensation and Benefits
- Military Families and Safety Net Programs
- Commissaries and Exchanges

VI. Families and Community

Family Readiness

Today's military families are required to be in a constant state of readiness. They are either preparing for deployment, experiencing a deployment, or recovering from a deployment for a short time until it is time to prepare for another one. Family readiness calls for coordinated programs and the information delivery system necessary to create a strong foundation of family preparedness for the ongoing and unexpected challenges of military family life. Those who provide the support, both professional and volunteer, should be well-trained. Consistent services should be available: adequate child care, easy access to preventative mental health counseling as well as therapeutic mental health care, employment

assistance for spouses, and youth programs that assist parents in addressing the concerns of children during deployment and separation.

The Nation has an obligation to support the quality of life for service members and their families not only because it is the right thing to do, but also because strong quality of life programs aid in the retention of a quality force. At a recent hearing, Master Chief Petty Officer of the Navy (MCPON) Joe R. Campa, Jr. summed up the importance of caring for families: *"Quality of life does affect retention and it impacts recruiting. Young Americans deciding whether the Navy is right for them look at quality of life initiatives as indicators of the Navy's commitment to sailors and their families. Our goal is to leave no family unaccounted for or unsupported. Our vision of today's Navy family is one who is self-reliant yet well connected to our Navy community and support programs."*

Ensuring Robust Family Programs and Installation Operations Support

In this sixth year of the Global War on Terror, as many service members and families are experiencing their second or third deployments, family readiness is more imperative than ever. The needs of and support required for the family experiencing repeated deployments are often different than those of the first deployment. The family that was childless in the first deployment may have two toddlers by now. Middle schoolers have grown into teenagers with different needs. Parents age and the requirements of the "sandwich generation" grow. Commanders cannot assume that "experienced" families have the tools they need to weather each new deployment successfully. The end strength increases in the Army and Marine Corps will bring many new families needing to learn the basics of military life and family support while experiencing their first deployments.

Military families are proud of their service members and of their service to the Nation. Family members also note that they serve as well. Last year, General Peter Pace, Chairman of the Joint Chiefs of Staff, told a group of military families: *"Spouses and families serve this country as well as anybody that's ever worn the uniform. In some ways it's harder for the folks back home than it is for the troops deployed in places like Afghanistan and Iraq."*

The high operational tempo and family separation test the mettle of military families on a daily basis. That military families carry a special burden is especially apparent after every announcement of unit extensions in a combat zone, earlier-than-scheduled deployments, or a surge in the number of troops in theater. When the deployment of the 172nd Stryker Brigade from Fort Wainwright, Alaska, was extended just before it was to return home last summer, families experienced a myriad of emotions and crises. How did the Army respond to the needs of these families? It began with a 90-minute conference call from the brigade commander in Iraq talking with the family readiness group leaders, who in turn passed the information on to the family members in their groups. Communication and rumor control were crucial in this situation. The Army brought extra staff from other installations to help in the support and allay some of the stress of the affected families. New family assistance centers opened at Fort Wainwright and Fort Richardson in Anchorage to help families deal with nonrefundable airline tickets,

powers of attorney that were about to expire, moving concerns, and mental health issues. The Army augmented local support staff with child psychologists, adolescent counselors, and specially-trained chaplains with advanced degrees in family counseling. Families appreciated the extra measure of support. The support initiatives became a template on how to rally resources and support for units and installations when future unexpected events happen.

But what happens when a surge affects National Guard or Reserve families who cannot rely on an installation? Following the President's January announcement of a troop surge to Iraq, the Minnesota National Guard reached out aggressively to support affected families. A robust family readiness and training network had already been in place, supported by Minnesota Governor and Mrs. Tim Pawlenty. The Guard augmented this network with additional military family life consultants and a full-time mental-health coordinator who encouraged mental-health providers across the state to support deployed National Guard members' families. DoD also generated a Tiger Team to analyze needs and allocate resources to support families affected by the surge. With the announcement of more extensions, additional Tiger Teams were stood up to augment medical services, counseling resources, and legal services and to help with commercial obligations.

NMFA is pleased to note that access to information and support has improved overall since the start of the War on Terror. The National Guard continues to promote the state Joint Family Assistance Centers as a resource for all military families in an area. The Guard Family Program website, ***www.guardfamily.org***, provides lists of many local resources. Training for Guard and Reserve family volunteers has improved and, in the case of the Marine Forces Reserve, Key Volunteers attend training side by side with the Marine Family Readiness Officers (FROs). This type of training helps to create realistic expectations on both the part of the professional and the volunteer.

Recently, top military family program leaders from across the Services gathered at the Family Readiness Summit convened by Assistant Secretary of Defense for Reserve Affairs Thomas Hall to answer tough questions on how to work better together. While focusing on the reserve component, delegates agreed that communication across the Services and components is key to bringing families the best support possible. Effective use of technology and partnering with community agencies were listed as best practices, along with Military OneSource and the use of volunteers. Challenges identified included the need for consistent funding for family programs and full-time support personnel to help avoid burnout for the full-time staff and volunteers. Some participants expressed concern that current funding is tied to current operations and worried those funds will not always be available. Participants also identified the need for clear, non-confusing nomenclature for programs that families could recognize regardless of Service or component. Everyone saw reintegration as a challenge and expressed the concern that the single service member not be forgotten in the process. Outreach to parents, significant others, and other family members is essential in helping the service member recover from the combat experience.

NMFA regards Military OneSource **(www.militaryonesource.com)**, DoD's version of an employee assistance program, as an solid resource for military families, regardless of Service affiliation or geographical location. While DoD agencies and the OneSource contractor have increased their outreach efforts this year, NMFA remains disappointed that families' usage of OneSource is low and that OneSource is not yet well-integrated into other Service, component, and installation support systems. This integration is important not just to meet the wide-ranging needs of today's military families, but also to make the best use of increasingly scarce resources at the installation level. More efforts must be made to enable family center personnel and unit family readiness volunteers to become the "experts" on OneSource so they can then encourage more families to take advantage of the service. OneSource must also do a better job of connecting families to support services already provided by DoD and the Services.

Families and the installation professionals who support families tell NMFA that shortfalls in installation operations funding are making the challenges of military life today more difficult. Families are grateful for the funding increases Congress has provided since the start of the Global War on Terrorism for deployment related programs, such as counseling, family assistance for Guard and Reserve families, and expanding access to child care services. However, the military families who contact NMFA, as well as many of our more than 100 installation volunteers, also tell us they are worried about consistent funding levels for these programs, as well as for core installation support programs: family center staffing, support for volunteer programs, maintenance on key facilities, and operating hours for dining halls, libraries, and other facilities.

Shortages in base operations funding are nothing new. What seems to make the crisis worse now is that war needs have exacerbated the negative effects of a long history of cutbacks. Deployed service members expect their installation quality of life services, facilities, and programs to be resourced at a level to meet the needs of their families. Cutbacks hit families hard. They are a blow to their morale, a sign that perhaps their Service or their nation does not understand or value their sacrifice. They also pile on another stressor to the long list of deployment-related challenges by making accessing services more difficult. Families are being told the cutbacks are necessary in order to ensure funds are available for the war, and in the case of Army communities, the ongoing Army transformation. Just when they need quality of life programs most, families should not be asked to do without. Their commanders should not have to make the choice between paying installation utility bills or providing family support services.

NMFA asks Congress to direct DoD to maintain robust family readiness programs and to see that resources are in place to accomplish this goal. We ask this Subcommittee to exercise its oversight authority to ensure critical base operations programs are maintained for the service members and families who depend on them.

Caring for Military Children and Youth

At a recent hearing, the Service Senior Enlisted Advisors put child care as one of their top two quality of life concerns. Frequent deployments and long work hours make the need for quality affordable and accessible child care critical. We thank Congress for making additional funding available for child care since the beginning of the Global War on Terror. We also applaud several of the innovative ways the military Services have attempted to meet the demand, including:

- the Navy's 24 hour centers in Virginia and Hawaii;
- the purchase of additional child care slots in private or other government agency facilities;
- partnerships with provider organizations to connect military families with providers; and
- the use of additional funding provided by Congress to make improvements to temporary facilities to increase the number of child care slots on military installations.

While these efforts have helped to reduce the demand for child care, NMFA is concerned about the consequences of the recently-passed FY 2007 Continuing Resolution, which reduced Base Realignment and Closure (BRAC) funding by $3.3 billion below the administration's budget request. This reduction has a direct impact on current and future child care center projects that are imperative to support families affected by BRAC and Global Rebasing. The Services—and families—continue to tell NMFA that more child care spaces are needed to fill the ever-growing demand.

Multiple deployments have also affected the number of child care providers, both center and home based. Child and Youth Service (CYS) programs have historically counted heavily on the ranks of military spouses to fill these positions. Service CYS programs report a growing shortage of spouses willing to provide child care as the stress of single parenting and the worry over the deployed service member takes its toll. The partnerships between the Services and the National Association of Child Care Resource and Referral Agencies (NACCRRA) are helping and have grown over the past two years; however, not all families qualify for the subsidies and not all programs are the same. As always, getting the word out to families that such programs exist is challenging. Military OneSource must do a better job of putting the NACCRRA programs at the top of their list when referring families to child care services within their neighborhood. Too often, a family will call OneSource and receive the closest child care option to their home address, NOT to the program that is currently working with the military and providing subsidies.

Unexpected extensions also wreak havoc on the availability of care. NMFA applauds the Army's efforts to address this shortage with an innovative program: CYS Transition Mobile Teams (TMT). The Army created the TMTs as a response to the emergency shortage of child care providers due to the extension of the 172nd Stryker Brigade Combat Team from Fort Wainwright, Alaska. The Army organized teams of volunteers within the CYS department willing to "deploy" to Fort Wainwright for a limited time to fill those shortages. This program was so successful it has been incorporated as a permanent aspect of the Army's CYS program.

Innovative strategies are also needed when addressing the unavailability of after hour (before 6 A.M. and after 6 P.M) and respite care. Families often find it difficult to obtain affordable, quality care, especially during hard-to-fill hours and on weekends. Both the Navy and the Air Force have piloted excellent programs that provide 24-hour care. The Navy has 24-hour centers in Norfolk and Hawaii, which provide a home-like atmosphere for children of Sailors working late night or varying shifts. The Air Force provides Extended Duty Child Care and Missile Care (24 hour access to child care for service members working in the missile field). These innovative programs must be expanded to provide care to more families at the same high standard as the Services' traditional child development programs.

Older children and teens cannot be overlooked. School personnel need to be educated on issues affecting military students and be sensitive to their needs. To achieve this goal, schools need tools. Parents need tools too. Military parents constantly seek more resources to assist their children in coping with military life, especially the challenges and stress of frequent deployments. Parents tell NMFA repeatedly they want resources to "help them help their children." Support for parents in their efforts to help children of all ages is increasing but continues to be fragmented. New federal, public-private initiatives, and increased awareness and support by DoD and civilian schools educating military children have been developed; however, military parents are either not aware that such programs exist or find the programs do not always meet their needs.

NMFA is working to meet this pressing need through its Operation Purple summer camps. Unique in its ability to reach out and gather military children of different age groups (8-18), Operation Purple provides a safe and fun environment in which military children feel immediately supported and understood. Its curriculum focuses on giving children the tools to cope with deployment. Through its Operation Purple camps, NMFA has begun to identify the cumulative effects multiple deployments are having on the emotional growth and well-being of military children and the challenges posed to the relationship between deployed parent and child in this very stressful environment.

NMFA urges Congress to ensure resources are available meet the child care needs of military families.

Education of Military Children

As increased numbers of military families move into some communities due to Global Rebasing and BRAC, their housing needs will be met further and further away from the installation. Thus, military children may be attending school in districts whose familiarity with the military lifestyle may be limited. Educating large numbers of military children will put an added burden on schools already hard-pressed to meet the needs of their current populations. Impact Aid has traditionally helped to ease this burden; however, the program remains under-funded. NMFA was disappointed to learn the DoD supplement to Impact Aid was funded at a compromise level of $35 million for FY 2007. An additional $10 million was provided to school districts with more than 20 percent military enrollment that experience

significant shifts in military dependent attendance due to force structure changes, with another $5 million for districts educating severely-disabled military children. While the total funding available to support civilian schools educating military children is greater than in recent years, we urge Congress to further increase funding for schools educating large numbers of military children. This supplement to Impact Aid is vital to school districts that have shouldered the burden of ensuring military children receive a quality education despite the stresses of military life.

NMFA also encourages this Subcommittee to make the additional funding for school districts experiencing growth available to all school districts experiencing significant enrollment increases and not just to those districts meeting the current 20 percent enrollment threshold. We also urge you to authorize an increase in the level of this funding until BRAC and Global Rebasing moves are completed. The arrival of several hundred military students can be financially devastating to any school district, regardless of how many of those students the district already serves. Because military families cannot time their moves, they must find available housing wherever they can. Why restrict DoD funding to local school districts trying to meet the needs of military children simply because they did not have a large military child enrollment to begin with?

NMFA asks Congress to increase the DoD supplement to Impact Aid to $50 million to help districts better meet the additional demands caused by large numbers of military children, deployment-related issues, and the effects of military programs and policies. We also ask Congress to allow all school districts experiencing a significant growth in their military student population due to BRAC, Global Rebasing, or installation housing changes to be eligible for the additional funding currently available only to districts with an enrollment of at least 20 percent military children.

Financial Readiness

Financial readiness is a critical component of family readiness. NMFA applauds the passage of the Talent/Nelson Amendment (Sec. 670) to the FY 2007 National Defense Authorization Act. This legislation was desperately needed to protect our service members and their families from unscrupulous business practices. We are concerned, however, that many lenders are attempting to create loopholes that would allow them to circumvent the intent of this important legislation and are monitoring DoD's implementation and rule-making efforts closely. While we fully recognize this legislation could impede the ability of some service members and their families to obtain short term loans, we believe this risk is justified given the negative impact of the use of predatory loans. We also believe better education about other available resources and improved financial education for both the service member and spouse will also reduce the risk.

The chief complaint among lenders centers on the breadth of the protections. Lenders contend the legislation as written will result in the denial of credit to military members and their families. NMFA contends that legitimate lenders have no need to fear an interest rate cap of 36 percent. We encourage DoD to continue

to make military families aware of the need to improve their money management skills and avoid high cost credit cards and other lenders. The Department must continue to monitor high cost, low value financial products targeted at military families.

NMFA asserts that the protections provided under the Talent/ Nelson amendment must be implemented in their entirety as written. We urge Congress to oppose strongly any changes to the statutory provisions enacted in the FY2007 Defense Authorization Act and to monitor DoD's implementation of the legislative provision to ensure full protections are made available to military families.

Spouse Education and Employment

Today's military is comprised of predominantly young adults under the age of 35. Sixty-six percent of military spouses are in the labor force, including 87 percent of junior enlisted spouses (E-1 to E-5). For many, working to pay bills and cover basic expenses is the primary reason for working. Studies show the gap between the financial well-being of military families and their civilian peers is largely due to the frequent moves required of the military family and the resulting disruptions to the career progression of the military spouse. In a 2005 report by the RAND Corporation: *Working Around the Military: Challenges to Military Spouse Employment and Education,* researchers found that military spouses, when compared to their civilian counterparts, were more likely to live in metropolitan areas and are more likely to have graduated from high school and have some college. Yet the RAND study found that all things being equal, military spouses' civilian counterparts tended to have better employment outcomes and higher wages. Surveys show that a military spouse's income is a major contributor to the family's financial well-being and that the military spouse unemployment rate is much higher (10%) than the national rate. The loss of the spouse's income at exactly the time when the family is facing the cost of a government ordered move is further exacerbated when the spouse is unable to collect unemployment compensation. Lacking the financial cushion provided by the receipt of unemployment compensation, the military spouse must often settle for "any job that pays the bills" rather than being able to search for a job that is commensurate with his or her skills or career aspirations. This in turn hurts morale and affects recruitment and retention of the service member

With a concern that spouses desiring better careers will encourage service members to leave the military, DoD is acknowledging the importance of efforts to support spouse employment. Recent DoD initiatives include the collaboration between DoD and Department of Labor (DoL), which focuses on:

- establishing *Milspouse.org,* a resource library for military spouse employment, education and relocation information,
- establishing One Stop Career Centers near major military installations (Norfolk, Va.; San Diego, Calif.; Fort Campbell, Ky.),
- expanding opportunities for Guard and Reserve members and military spouses to access training and education grants,

- exploring options with states to offer unemployment compensation to military spouses when unemployment is the result of a permanent change of station (PCS) move, and
- to improve reciprocity for state certifications and licensing requirements.

Unfortunately, funds for this promising collaboration have run out and are not due to be reinstated. NMFA believes this lack of funding is a significant blow to the promise of these early initiatives. We also believe the Department of Labor is best positioned to provide the coordination necessary with states and other agencies to promote opportunities for military spouse employment.

DoD has also sponsored a partnership with Monster.com to create the Military Spouse Career Center (***www.military.com/spouses***) and recently announced the availability of free career coaching through the Spouse Employment Assessment, Coaching and Assistance Program (SEACA). However, with more than 700,000 active duty spouses, the task of enhancing military spouse employment is too big for DoD to handle alone. Improvements in employment for military spouses and assistance in supporting their career progression will require increased partnerships and initiatives by a variety of government agencies and private employers. NMFA applauds current partnerships through the Army Spouse Employment Partnership (ASEP) where currently 26 corporate and government partners have pledged to provide solid employment opportunities to military spouses. Although marketed as an Army initiative, all military spouses may take advantage of this program. Unfortunately, without the ability to track the actual hiring numbers it is difficult to determine the success of these partnerships.

Despite greater awareness of the importance of supporting military spouse career aspirations, some roadblocks remain. In addition to their inability to qualify for unemployment compensation in many states, military spouses may not be eligible for the many labor and workforce development opportunities offered in the states in which their service member is assigned. As the military streamlines operations and contracts out many services, military spouses may find the contract positions have significant disadvantages over positions as non-appropriated fund (NAF) or civil service employees. While one could argue that the ability to be a contractor provides a spouse with some flexibility, this "opportunity" also brings significant monetary implications for the military spouse. What many spouse do not realize, until it is too late, is that as a contractor, spouses enjoy none of the regular employee benefits available through NAF or civil service positions. In addition, they must file quarterly tax statements to pay self-employment tax. NMFA asserts it is time to take a closer look at the efficiencies of contracting and the resulting impact on military spouses who frequently fill these contractor positions.

Many military spouses trying to improve their employment prospects encounter another set of barriers as they seek further education. As one spouse stated in a recent NMFA on-line spouse education and employment survey: "*My resume looks like I cannot hold a job, never mind that I have worked since I was 15! Low salary, no time to accrue seniority, no time for education to improve skills all lead to low self esteem. Never mind that when my husband retired he had*

access to the MGIB and subsequently has finished two masters' degrees while my options are still limited."

In the 2006 DMDC Survey for Military Families, 87 percent of spouses report education/training is a personal goal and 54 percent report training would have helped during their last relocation. The high cost of education, the lack of uniformly- authorized in-state tuition, and the high cost of transferring certifications and licenses from state to state are challenges that must be addressed.

NMFA has also been aware of these challenges. In 2006, the Association's Joanne Holbrook Patton Military Spouse Scholarship Program garnered slightly over 8000 applicants! An analysis of responses reaffirmed that military spouses have a strong commitment to educational advancement even as they struggle to juggle school, work and family, especially with today's current deployments. They understand that service life brings unique educational challenges, which often influences their career choices as well. NMFA is developing educational tools to enhance a spouse's ability to navigate through the frustrating years it can take to complete a degree. The *NMFA Military Spouse Education Resource Guide* is now in its second printing. In January of this year, NMFA launched its new on-line Military Spouse Education web section, a comprehensive resource about higher education tailored for the military spouse. (***http://www.nmfa.org/spouseeducation***). But even with all these initiatives and scholarship opportunities the need continues to be great. As one spouse put it: *"I have searched for education or tuition reimbursement for military spouses and I have found no help. I don't qualify for grants or financial aid because my spouse makes too much money...I see many scholarships for military children or children of the fallen but very little for spouses. How can a spouse further her education when there is very little help for us?"*

NMFA is pleased to report that some states are examining their in-state tuition rules and licensing requirements to ease spouses' ability to obtain an education or to transfer their occupation as they move. NMFA is appreciative of the efforts by DoD to work with states to promote the award of unemployment compensation to military spouses, eligibility for in-state tuition, and reciprocity for professional licenses. DoD has also recognized that it is imperative that programs be developed to move the 22,500 military spouses without a high school degree towards General Education Development (GED) certificates and address the 52,000 military spouses with a high school diploma who need to move toward an Associate or Technical degree.

NMFA asks that the partnership between DoD and DoL be realigned to give DoL the authority to serve military spouses through legislative changes designating military spouses as an eligible group for funds for training and education. Furthermore, NMFA asks Congress to promote federal and state coordination to provide unemployment compensation for military spouses as a result of Permanent Change of Station (PCS) orders. NMFA asks Congress to promote federal and state coordination to make college credits and fees more easily transferable and adopt state education policies that permit a military spouse to qualify for in-state tuition

regardless of service member's duty location. NMFA also supports programs or legislative changes that would give local Workforce Investment Boards the opportunity to provide education and training assistance to military spouses. Private sector employers who protect employment and/or education flexibility of spouses and other family members impacted by deployment should be applauded as role models.

Mental Health

As the war continues, families' need for a full spectrum of mental health services—from preventative care to stress reduction techniques, to individual or family counseling, to medical mental health services—continues to grow. Last week, in a meeting in Alaska with Chairman of the Joint Chiefs of Staff General Peter Pace, military spouses asked him for more counseling resources to help them recognize potential difficulties their service members were facing as a result of combat experience. They also asked these services be made available to service members and commanders grappling with these problems. The recent press reports on Walter Reed Army Medical Center also emphasized the need for additional counselors and mental health services for both wounded service members and their families.

The Army's recently-released Third Mental Health Advisory Team report links the need to address family issues as a means for reducing stress on deployed service members. The team found the top non-combat stressors were deployment length and family separation. They noted that Soldiers serving a repeat deployment reported higher acute stress than those on their first deployment. They found that, while multiple deployers felt they were better prepared due to improved pre-deployment training, they also acknowledged their families are experiencing more stress. The study also determined that leading suicide risk factors were relationship issues at home and in theater.

As service members and families experience numerous lengthy and dangerous deployments, NMFA believes the need for confidential, preventative mental health services will continue to rise. It will also remain high for some time even after military operations scale down in Iraq and Afghanistan. NMFA has seen progress in the provision of mental health services, access to those services, and military service member and family well-being. In some cases, however, the progress is ongoing and barriers to quality mental health care remain.

Progress Made

NMFA has been impressed with the increased range of mental health support offered in theater for service members, especially with the use of combat stress teams. Combat stress teams move out when needed to the unit level to provide advice, support, and counseling to soldiers who are having some adjustment problems or issues related to combat. They assess the troops, work at preventive mental health, find out what stresses they are struggling with, and assist the commander in helping the service members deal with that stress.

NMFA has often expressed concern about the deployment of service members who had been diagnosed with mental health conditions. We have been especially concerned about the use of psychiatric medications in theater and the ability of mental health providers to monitor service members' use of these medications and address possible side effect issues in a combat environment. We congratulate DoD for issuing policy guidance on the deployment of service members with mental health diagnoses and the monitoring of their conditions (***http://www.ha.osd.mil/policies/2006/061107_deployment-limiting_psych_conditions_meds.pdf***). We hope this guidance will provide consistency among the Services in how they determine service members' fitness for deployment and the support available to them in theater.

Some communities have also adopted the combat stress team model to support the families of the deployed during periods when they know the unit is engaged in combat or has experienced casualties. In NMFA's ***Cycles of Deployment*** survey report (***http://www.nmfa.org/site/DocServer/NMFACyclesofDeployment9.pdf?docID=5401***), respondents stated professional mental health resources need to be directed to support the volunteer leadership of the Family Readiness/Support Groups (FRGs). The Rear Detachment of the 1st Brigade of the 1st Armored Division, based in the Freidberg/Giessen area of Germany, made providing this support a community priority. It established a Combat Operational Stress Team made up of social workers, Alcohol and Substance Abuse Counselors, and other mental health providers and assigned them as resources to the various Battalions' FRGs. By bringing these available community-based mental health resources to the battalion volunteers, the team could identify problem areas more quickly and target their support efforts. For example, when it was apparent that several of the survivors of active duty deaths were choosing to remain in Germany rather than immediately go back to the United States, the rear detachment formed a Bereavement Support Group, assisted by members of the stress team.

The 1st Armored Division communities were also among the handful of Army installations to create Care Teams to assist families when the unit has a casualty. The concept behind the Care Team is that rear-detachment commanders and Family Readiness Group leaders have volunteers ready to provide immediate support as the notification teams leave, rather than scrambling around. Care Teams—each with two or three members—train to do everything from looking after children, to anticipating potential crises, to fending off "concerned" neighbors at a vulnerable time. Each Care Team goes through careful screening and training, then undergoes debriefings after helping families to make sure they do not suffer themselves from what is always an emotional test.

As deployments have continued, the military Services have refined programs dealing with the return and reunion process. Families worry about how the reunion will go even as they are worrying about the service member's safety in theater. Recent reports of a spike in divorce rates have prompted even more programs aimed at couples' reunion and reintegration. The Services recognize the importance of educating service members and their families about how to achieve a

successful homecoming and reunion and have taken steps to improve the return and reunion process. Information gathered in the now-mandatory post-deployment health assessments may also help identify service members who may need more specialized assistance in making the transition home. Successful return and reunion programs will require attention over the long term.

Multiple deployments are no longer the exception but rather the norm. Families experiencing a second or third deployment never start from the same place. Along with skills acquired during the first deployment, there are unresolved anxieties and expectations from the last. New families are entering the cycle, whether they are new recruits, service members deploying with new units, or families whose life situations have changed since the last deployment. An example of the progress made in supporting the more complicated readjustments now becoming commonplace is the Army's new *Battlemind* program (***www.battlemind.org***). The *Battlemind* training videos, currently available for post-deployment training provide service members with common scenarios they might face on their return home, as well as show them how skills developed on the battlefield to keep themselves alive may make their readjustment more difficult. NMFA is pleased future *Battlemind* programs will be aimed at helping family members with their readjustment.

According to the NMFA ***Cycles of Deployment*** survey report, families are also concerned about the relationships among other family members during this critical reunion phase. How children, especially the very young or the teenagers, will re-connect with a parent was a common theme. NMFA would like to see the concept behind the couples' programs extended to focus on the reintegration of the entire family. As pointed out in a recently-released report by a task force of the American Psychological Association ***(http://www.apa.org/releases/MilitaryDeploymentTaskForceReport.pdf)***, scholarly research is needed on the short- and long-term effects of deployment on military families, especially the children. We urge this Subcommittee to direct DoD to enter into research agreements with qualified research organizations to expand our Nation's knowledge base on the mental health needs of the entire military family: service members, spouses, and children. Special attention must be paid to issues affecting wounded service members and their families, as well as surviving spouses, children, and other family members. Solid research on the needs of military families is needed to ensure the mix of programs and initiatives available to meet those needs is actually the correct one.

Because military families look to schools for support and because schools have a vested interest in ensuring children are able to focus on learning, NMFA recommends that more resources be targeted to provide counseling and make available mental health services in the schools. To determine what is needed, an assessment should be made of existing mental health services provided by DoD and civilian schools serving large populations of military children. This assessment should also attempt to validate anecdotal reports that disruptions and stress among military children related to deployments are resulting in increased medication use, behavioral problems, or declines in educational performance.

Information gathered in the now-mandatory post-deployment health assessments may also help identify service members who may need more specialized assistance in making the transition home. Successful return and reunion programs will require attention over the long term, as well as a strong partnership at all levels between the various mental health arms of the DoD and VA.

The DoD contract for Military OneSource enables service members and families to receive up to six free face-to-face mental health visits with a professional outside the chain of command. NMFA is pleased DoD has committed to funding the counseling provided under the OneSource contract. This counseling is not medical mental health counseling, but rather assistance for family members in dealing with the stresses of deployment or reunion. It can be an important preventative to forestall more serious problems down the road.

Since May 2004, MHN, the behavioral health division of Health Net, has provided under contract with DoD short-term, solution focused, non-medical family and daily living counseling to active duty, National Guard and Reserve members, and their families (CONUS and OCONUS). The Military and Family Life Consultant (MFLC) program is preventative in nature and designed to reach out proactively to service personnel and their families with assistance as they cope with the stressors of deployment and reunion. The program complements existing installation resources, including medical, social services, alcohol and substance abuse programs, schools, and chaplains. Support is provided to all Service branches, although the greatest utilization has been by the Army, followed by the Marines. The program also makes available behavioral and financial consultants at a number of Navy installations in Hurricane Katrina-affected areas and supports airmen and their families at a number of OCONUS locations. Currently, there are approximately 150 licensed consultants providing support in Europe, the Pacific Rim and stateside.

While the consultants are equipped to address various needs, a significant amount of support is focused on coping with stress and marriage and family issues. Counselors generally work out of the military centers and are available to assist units or family readiness groups. They try to be visible when service members are returning to their installations or during drill weekends for recently-returned Guard and Reserve members. While many service members and their families are able to benefit solely from the support offered through the consultants, there are, on occasion, instances when more extensive support is required. In such cases, the consultants (all licensed social workers and/or psychologists) guide the member to the clinical and professional resources available at military installations, as well as via TRICARE.

NMFA has found that families and family support professionals have generally welcomed these additional counseling resources to their communities. We believe the Marriage and Family Life Consultants are most effective when fully integrated into ongoing support activities on an installation. Thus, their success is dependent on the buy-in from the family center personnel. The consultants working in overseas communities experience a greater challenge in integrating their services

with other installation programs. Host-nation rules generally limit the time these counselors may work in one location to only a few weeks. Thus, their effectiveness is dependent on both the willingness of local family center staff to use them and on the consultants' ability to do a smooth hand-off with their replacements. While important in enhancing the preventative mental health capabilities in a community, these consultants are not a replacement for the mental health providers who have been deployed. Families continue to raise concerns that more providers who can do long-term counseling and treatment are needed.

We ask this Subcommittee to encourage DoD to expand research into the emotional, educational, and deployment-related challenges affecting military families.

Barriers to Care

The military offers a variety of mental health services, both preventative and treatment, across many helping agencies and programs. On a typical installation, families can access stress management classes through the family center staff, the military and family life consultants, chapel programs, hospital, family readiness group meetings, or through orientation programs such as Army Family Team Building. They can find marriage and family counseling through the family centers, chaplains, or social workers at the military hospitals. They can call Military OneSource and request a visit with a counselor outside the military system paid through that contract. If a medical condition, such as depression or an anxiety disorder, is suspected, families can receive services, where available, through military treatment facilities or TRICARE civilian providers.

As outlined above, DoD and the individual Services have added many deployment-related support, counseling, and stress management programs to supplement existing mental health programs. These programs, however, are primarily stand-alone. Coordination across the spectrum is rare. Families tell NMFA that the proliferation of programs, while beneficial to those who seek them out or are able to take advantage of them, has increased their confusion about where to go or who to see to get the help they need. A first step in this needed coordination would be to integrate training among OneSource counselors, installation-based family support professionals, and Family Assistance Center employees of the Guard and Reserve to facilitate information, collaboration, and counseling efforts to best support military families. A second step would be to increase linkages at the local level between military installation mental health providers, civilian providers, and school personnel to enhance training and access to care.

Timely access to the proper provider remains one of the greatest barriers to quality mental health services for service members and their families. NMFA and the families it serves have noted with relief that more providers are deployed to theaters of combat operations to support service members. The work of these mental health professionals with units and individuals close to the combat action they experience have proved very helpful and will reduce the stress that impedes service members' performance of their mission and their successful reintegration with their families.

While families are pleased more mental health providers are available in theater to assist their service members, they are less happy with the resulting limited access to providers at home. Families report increased difficulty in obtaining appointments with social workers, psychologists, and psychiatrists at their military hospitals and clinics. The military fuels the shortage by deploying some of its child and adolescent psychology providers to the combat zones. Providers remaining at home stations report they are frequently overwhelmed treating active duty members who either have returned from deployment or are preparing to deploy to fit family members into their schedules. A recent survey on counseling conducted by the European Command documents the access problems NMFA has heard from military families both CONUS and OCONUS. Many respondents stated that appointments are difficult to obtain, that chaplains and family center staff are also overworked, and that the specialized care needed for children and adolescents is persistently difficult to obtain.

National shortages in this field, especially in child and adolescent psychology, are exacerbated in many cases by low TRICARE reimbursement rates, TRICARE rules, or military-unique geographical challenges: large populations in rural or traditionally underserved areas. Over the past year, several groups of civilian mental health providers who are willing to donate their services to service members and family members have contacted NMFA. One of these groups is SOFAR, the Strategic Outreach to Families of All Reservists (***www.sofarusa.org***). SOFAR providers, mostly based in New England, provide stress management sessions to Family Readiness Groups and individual counseling to family members, to spouses and children, as well as non-military-ID card holders, such as parents and significant others. The non-profit Give an Hour (***www.giveanhour.org***) asks mental health providers to donate one hour per week for a year to assist service members or family members who need these services. NMFA applauds the spirit to help military families that drives these ventures and believes that well-trained providers in these organizations can supplement local support services available to family readiness groups and unit rear detachment/party personnel, especially for isolated Guard and Reserve units. However, we are concerned about the difficulties in coordinating care provided outside the TRICARE system in case more serious issues emerge and the patient must come back into the system. While willing to see military beneficiaries in a voluntary status, these providers often tell us they will not participate in TRICARE because of what they believe are time-consuming requirements and low reimbursement rates. More must be done to persuade these providers to participate in TRICARE and become a resource for the entire system.

NMFA also believes a legislative change is needed to expand the TRICARE provider base. Currently, by law, clinical social workers and marriage and family therapists can independently treat TRICARE beneficiaries for TRICARE-covered mental health conditions. Licensed mental health counselors are professionals with master's or doctoral degrees in counseling or a related discipline, training similar to that of clinical social workers and marriage and family therapists. They were excluded from the legislative authority to treat TRICARE patients as independent providers and may only see TRICARE patients under the supervision of a physician.

This requirement increases the difficulty for TRICARE patients in accessing care, limits their choice of provider, and may, by providing an additional step in the process of obtaining care, discourage beneficiaries from seeking care. A provision to grant licensed mental health counselors independent practice authority under TRICARE was included in the House version of the FY 2006 and 2007 NDAAs, only to fall out of the final conference versions. NMFA asks this Subcommittee to try again this year to achieve this necessary change to expand the military medical facility and TRICARE provider base by authorizing independent practice by licensed mental health counselors.

NMFA continues to hear that some service members and families feel the stigma against seeking mental health care and choose to try to "ride out" the rough spots on their own. We believe, however, based on our survey data and conversations with family members that the increased stress caused by multiple deployments is causing more families to seek help. While this increased stress in the military family is bad news, the good news for family support professionals who believe military families are reluctant to seek help for mental health issues is that many now recognize counseling is an option for them. Families perceive counseling and mental health support as especially helpful if it is confidential and with a professional familiar with the military. One spouse who met recently with General Pace in Alaska noted what she felt she and her service member spouse needed most: *"When my husband talks to me, I don't even know how to respond to some of the things he says. If they can talk among themselves, without fear of repercussion, maybe that would help."*

To measure the stigma associated with seeking behavioral health care, the Army's Third Mental Health Advisory Team (MHAT) asked Soldiers five different questions. The team found that the number of Soldiers who agreed there was stigma associated with seeking this care decreased significantly from MHAT I to MHAT III. While these findings are encouraging, we include the persistent stigma as a barrier that must still be addressed. Commanders must be engaged in this process to model behaviors that promote the seeking of counseling and support.

Many mental health experts state that some post-deployment problems may not surface for several months or years after the service member's return. NMFA is especially concerned that not as many services are available to the families of returning Guard and Reserve members and service members who leave the military following the end of their enlistment. They may be eligible for transitional health care benefits and TRICARE Reserve Select. The service member may seek care through the Veterans' Administration, but what happens when the military health benefits run out and deployment-related stresses still affect the family? Reports of Vietnam and even World War II veterans showing up at VA facilities in need of counseling after viewing news reports of the war in Iraq remind all of us that PTSD and other mental health effects of the war can linger for years, thus requiring the availability of care for many years in the future. Congress must address not just the current needs of the force and families, but also their long-term need for continued access to services.

We ask Congress to also address the distance issues families face in linking with military mental health resources and obtaining appropriate care. Isolated Guard and Reserve families do not have the benefit of the safety net of services provided by military treatment facilities and installation family support programs, however strained. They look to resources in their communities. Often, however, these local providers may not have an understanding of military life or an appreciation of the service member's choice to serve. Especially when dealing with the mental health consequences of deployment, families want to be able to access care with a provider who understands or is sympathetic to the issues they face. More education to civilian health care providers, as well as religious and education professionals, will help to broaden the support base for military families and improve the quality of the mental health services they receive.

In the sixth year of the war on terror, care for the caregivers must become a priority. NMFA hears from the senior officer and enlisted spouses who are so often called upon to be the strength for others. We hear from the health care providers, educators, rear detachment staff, chaplains, and counselors who are working long hours to assist service members and their families. Unless these caregivers are also afforded a respite and care, they will be of little use to those who need their services most.

NMFA also sees a need for specific training in bereavement and other counseling for family readiness group leaders, ombudsmen, and key volunteers. Many widows say they suddenly felt shut out by their old unit or community after the death of their service member. Often the perceived rejection is caused by a lack of knowledge on the part of other families about how to meet the needs of the survivors in their midst. Because they find contact with survivors difficult, they shy away from it. In some communities, support groups outside the unit family support chain have been established to sustain the support of the surviving families in the days and months after the death of the service member. As part of the standardization and improvement of the casualty assistance process, more effort needs to be placed at the command level on supporting the long-term emotional needs of survivors and of communities affected by loss. The implementation of the Care Team process on a broader scale not only supports survivors, but also those community volunteers who bear the burden of support.

Because the VA has as part of its charge the "care for the widow and the orphan," NMFA was concerned about recent reports that many Vet Centers did not have the qualified counseling services they needed to provide promised counseling to survivors, especially to children. DoD and the VA must work together to ensure surviving spouses and their children can receive the mental health services they need. New legislative language governing the TRICARE behavioral health benefit may also be needed to allow TRICARE coverage of bereavement or grief counseling. While some widows and surviving children suffer from depression or some other medical condition for a time after their loss, many others simply need counseling to help in managing their grief and helping them to focus on the future. Many have been frustrated when they have asked their TRICARE contractor or provider for "grief counseling" only to be told TRICARE does not cover "grief counseling."

Available counselors at military hospitals can sometimes provide this service and certain providers have found a way within the reimbursement rules to provide needed care, but many families who cannot access military hospitals are often left without care because they do not know what to ask for or their provider does not know how to help them obtain covered services. Targeted grief counseling when the survivor first identifies the need for help could prevent more serious issues from developing later.

Many of the issues facing survivors also face service members who were wounded or injured and their families. Because many of these service members are medically retired and will continue to access military health care benefits, in addition to VA assistance, appropriate mental health services must be available in both systems to them and their families. Counselors working with these families must understand the effects of trauma and help them deal with the ongoing challenges involved in the care of the service member, as well as the upheaval that injury has caused to the family as a whole. Mental health professionals must have a greater understanding of the effects of mild Traumatic Brain Injury in order to help accurately diagnose and treat the service member's condition. They must be able to deal with polytrauma—PTSD in combination with multiple physical injuries.

DoD must balance the demand for mental health personnel in theater and at home to help service members and families deal with unique emotional challenges and stresses related to the nature and duration of continued deployments. Rear detachment personnel and family readiness volunteers need mental health professionals dedicated to assist them in supporting families of the fallen and injured and others who may become overwhelmed by the stresses of deployment. We ask Congress to encourage DoD to step up the recruitment of uniformed mental health providers and the hiring of civilian providers to assist service members in combat theaters AND at home stations to care for the families of the deployed and service members who have either returned from deployment or are preparing to deploy. TRICARE contractors should be tasked with stepping up their efforts to attract mental health providers into the TRICARE networks and to identify and ease the barriers providers cite when asked to participate in TRICARE.

Family Health

NMFA thanks this Subcommittee for its continued support for a robust military health care system. We ask Members of Congress to remember the multi-faceted mission of this system. It must meet the needs of service members and the Department of Defense (DoD) in times of armed conflict. The Nation must also acknowledge that military members, retirees, their families, and survivors are indeed a unique population with unique duties, who earn an entitlement to a unique health care program. We ask you to recognize that the military health care system, which showed signs of stress even before the start of the Global War on Terror, is now significantly taxed.

NMFA and the families it serves have been gratified to see the medical improvements on the battlefield and in military hospitals, which have raised the survival rate of casualties. NMFA asserts, however, as we have done for several years, that access to care remains the number one problem facing TRICARE beneficiaries, especially those who depend on military treatment facilities (MTFs). We were dismayed, but unfortunately not surprised, by the recent press reports highlighting the problems wounded service members face in accessing care at Walter Reed Army Medical Center. As we have stated in previous testimonies before this Subcommittee, military families often cite problems accessing care at MTFs. What was particularly disturbing to us was that we know families are willing to wait longer than they should for care so that service members can receive first priority. Families have every right to be horrified, therefore, when they find those who bear the scars of battle are having the same or worse access issues.

Recent statements by the Service Surgeons General before the new Task Force on the Future of Military Health Care highlighted the funding problems facing the direct care system. These shortfalls are experienced first-hand by military families enrolled in TRICARE Prime when they find their MTF cannot meet prescribed access standards. No one is more cognizant of the need for superior health care to be provided to service members in harm's way than their families. In addition, no one is more willing to change providers or venues of care to accommodate the need for military health care providers to deploy than the families of those deployed. However, a contract was made with those who enrolled in Prime. Beneficiaries must seek care in the manner prescribed in the Prime agreement, but in return they are given what are supposed to be guaranteed access standards. When an MTF cannot meet those standards, appointments within the civilian TRICARE network must be offered. In many cases, this is not happening and families are told to call back next week or next month. In other cases, MTFs must send enrolled beneficiaries to providers in the civilian network, thus increasing costs to the system as a whole.

Because operational requirements have reduced the number of uniformed health care personnel available to serve in the MTF system, a more coordinated approach is needed to optimize care and enable MTFs to meet access standards. We continue to hear that difficulties in the Service contracting process prevent MTFs from filling open contract provider slots and thus optimizing care within their facilities. Efficient contracting for health care staffing could increase the amount of care provided in the direct care system, thereby reducing the overall cost of care to the military health care system. NMFA suggests Congress direct DoD to reassess the resource sharing program used prior to the implementation of the T-Nex contracts and take the steps necessary to ensure MTFs meet access standards with high quality health care providers.

MTFs must have the resources and the encouragement to ensure their facilities are optimized to provide high quality, coordinated care for the most beneficiaries possible. They must be held accountable for meeting stated access standards. If funding or personnel resource issues are the reason access standards are not being met, then assistance must be provided to ensure MTFs are able to

meet access standards, support the military mission, and continue to provide quality health care.

NMFA asks all Members of Congress to hold DoD accountable for providing access to quality care to all TRICARE beneficiaries and to ensure the system is adequately resourced to provide that access.

Help for Families Far From Home

NMFA is concerned with the inequity of health care options being offered to pregnant spouses of service members who are stationed at remote embassies in Africa, Eastern Europe, Asia and other overseas areas. Appropriate medical care for the delivery does not exist at their duty station. As their delivery date approaches, pregnant women at remote sites in Africa and Eastern Europe are often sent to Landstuhl Military Medical Center in Germany to await the birth of their child. They may arrive as early as six weeks before their due date. They are put up in the "Stork's Nest" – a Visiting Officers' Quarters (VOQ) in Landstuhl with other waiting mothers-to-be. If they have other children, they must find care for them at their home station or bring them with them at their own expense to Landstuhl. They endure a long bus ride to the hospital for appointments and another long bus ride back.

What's wrong with this picture? The wife of the ambassador, consul or staffer working for the State Department can choose to go back to the states at government expense and stay with family until the birth of their child. So can military spouses who are stationed in Central and South America. In some cases, spouses in other locations will receive permission and funding to travel back to the states to have their babies; however, families report no consistency in how the policy is followed and who might be "lucky" enough to receive permission and funding to go to the states. Until recently, NMFA had been told this issue could be settled by policy within DoD Health Affairs. Now, we are hearing legislation is needed to give pregnant military spouses the choice of coming back to the states to have their child or staying alone in Landstuhl at the Stork's Nest while they wait to deliver.

NMFA requests that Congress investigate the policy governing OB care given military spouses in remote locations and require that pregnant military spouses stationed in these locations be given a choice as to where to deliver their children at government expense.

TRICARE Fees—What's the Answer?

Last year's proposal by DoD to raise TRICARE fees by exorbitant amounts resonated throughout the beneficiary population. Beneficiaries saw the proposal as a concentrated effort by DoD to change their earned entitlement to health care into an insurance plan. NMFA appreciates the concern shown by Members of Congress last year in forestalling any premium increase, emphasizing the need for the Department to institute more economies, and suggesting further investigation of the issue through a report by the Government Accountability Office and the creation of a task force on the future of military health care. We appreciate your recognition of the need for more information about the budget assumptions used by DoD, the

effects of possible increases on beneficiary behavior, the need for DoD to implement greater efficiencies in the Defense Health Care Program (DHP), and the adequacy of the DHP budget as proposed by DoD. We appreciate the continued Congressional oversight responsibilities of these issues, but ask for your help in avoiding a funding train wreck that could impede military families' access to quality care. NMFA urgently requests that Congress reinstate the $1.9 billion deducted by DoD from the budget proposal for the Defense Health Program to reflect its savings due to their proposed policy initiatives, such as increased TRICARE fees.

As we stated last year, NMFA believes DoD has many options available to make the military health system more efficient and thus make the need for large increases in beneficiary cost shares unnecessary. NMFA urges Congress to request status reports on DoD's implementation of the cost-cutting measures included in recent National Defense Authorization Acts and to ensure the Department is exhausting all reasonable measures of economy prior to seeking beneficiary fee increases. We encourage DoD to implement cost saving measures such as: a systemic approach to disease management; an ongoing, aggressive marketing campaign to increase use of the TRICARE Mail Order Pharmacy; eliminating contract redundancies; delaying the recompetition of the TRICARE contracts; speeding implementation of the Uniform Formulary process; and optimizing Military Treatment Facilities (MTFs).

NMFA remains especially concerned about what we believe is DoD's continued intention to create a TRICARE Standard enrollment fee. The precursor to TRICARE Standard, the basic benefit provided for care in the civilian sector, was CHAMPUS, which was then, as TRICARE Standard is now, an extension of the earned entitlement to health care. Charging a premium (enrollment fee) for TRICARE Standard moves the benefit from an earned entitlement to an opportunity to buy into an insurance plan. Standard is the only option for many retirees, their families, and survivors because TRICARE Prime is not offered everywhere. Also, using the Standard option does not guarantee beneficiaries access to health care, which beneficiaries opting to use Standard rather than Prime understand. DoD has so far not linked any guarantee of access to their proposals to require a Standard enrollment fee.

In the ongoing debate about whether or not to raise TRICARE beneficiary fees, NMFA believes it is important for everyone participating in that debate to understand the difference between TRICARE Prime and TRICARE Standard and to distinguish between creating a TRICARE Standard enrollment fee and raising the Standard deductible amount. TRICARE Prime has an enrollment fee for military retirees; however, it offers enhancements to the health care benefit. These enhancements include: lower out-of-pocket costs, access to care within prescribed standards, additional preventive care, assistance in finding providers, and the management of one's health care. In other words, enrollment fees for Prime are not to access the earned entitlement, but for additional services. These fees, which have not changed since the start of TRICARE, are $230 per year for an individual and $460 per year for a family.

	Prime	Standard
Enrollment fees	$230/year for an individual; $460/year for a family	None
Annual Deductibles	None	$150/individual; $300 for a family
Outpatient co-payment (Prime)/cost share (Standard) for individual providers	$12	25% of allowed charges [1,2]
Inpatient co-payment/cost share for individual providers	None	25% of allowed charges [1,2]
Daily inpatient hospitalization charge	Greater of $11 per day or $25 per admission	Lesser of $535/day or 25% of billed charges if treated in non-network hospital [3]
Emergency Services co-payment/cost share	$30	25% of allowed charges
Ambulance Services co-payment/cost share	$20	25% of allowed charges
Preventive Examinations (such as: blood pressure tests, breast exams, mammograms, pelvic exams, PAP smears, school physicals) co-payments/cost shares	None	25% cost share [1,2]

[1] Providers may charge 15% above the TRICARE allowable and the beneficiary is responsible for this additional cost, making the potential cost share 40%.
[2] If care is accessed from a TRICARE Prime/Extra network provider the cost share is 20%.
[3] If care is received in a TRICARE Prime/Extra network hospital, the daily hospitalization rate is the lesser of $250/day or 25% of negotiated charges.
(For a more detailed comparison of TRICARE costs, go to: ***http://www.tricare.mil/tricarecost.cfm****)*

DoD's proposal last year to increase TRICARE Prime enrollment fees, while completely out-of-line dollar wise, was not unexpected. In fact, NMFA had been surprised DoD did not include an increase as it implemented the recent round of new TRICARE contracts. While increases were at least temporarily forestalled by Congress last year, NMFA believes DoD officials continue to support large increased retiree enrollment fees for TRICARE Prime, combined with a tiered system of enrollment fees and TRICARE Standard deductibles. NMFA believes any tiered system would be arbitrarily devised and would fail to acknowledge the needs of the most vulnerable beneficiaries: survivors, wounded service members, and their families.

Acknowledging that the annual Prime enrollment fee has not increased in more than 10 years and that it may be reasonable to have a mechanism to increase fees, NMFA last year presented an alternative to DoD's proposal should Congress deem some cost increase necessary. The most important feature of this proposal was that any fee increase be no greater than the percentage increase in the retiree cost of living adjustment (COLA). If DoD thought $230/$460 was a fair fee for all in 1995, then it would appear that raising the fees simply by the percentage increase in retiree pay is also fair. NMFA also suggests it would be reasonable to adjust the TRICARE Standard deductibles by tying increases to the percent of the retiree annual COLA.

NMFA is dismayed that DoD has taken only small steps to encourage migration to the TRICARE Mail Order Pharmacy (TMOP). Its marketing effort to promote the use of the TMOP came only after NMFA and other associations raised the issue in Congressional testimony last year in their push for the implementation of significant cost-saving measures prior to any increase in TRICARE fees. Promoting use of the TMOP makes sense, as it provides significant savings to beneficiaries as well as huge savings to the Department. If some additional cost share for the TRICARE Retail Pharmacy (TRRx) is instituted, NMFA believes it should not be implemented until all of the medications available through TRRx are also available through TMOP. Finally, it is well understood, and NMFA has no great argument with the premise, that the process of establishing a Uniform Formulary was to provide clinically appropriate drugs at a cost savings to the Department. We believe information must be gathered to determine if the Uniform Formulary process is meeting the desired goals.

NMFA believes tying increases in TRICARE enrollment fees to the percentage increase in the retiree Cost of Living Adjustment (COLA) is a fair way to increase beneficiary cost shares should Congress deem an increase necessary. We encourage Congress to direct DoD to continue efforts to gain real efficiencies, improve the quality of care, and access. NMFA requests the Government Accountability Office be asked to conduct a review to see if the Uniform Formulary process is producing the savings projected and the extent, if any, beneficiaries believe they have been denied medications they and their provider believe would be more clinically appropriate for them.

Wounded Service members Have Wounded Families

As revealed in the series of articles about Walter Reed Army Medical Center, post-deployment transitions can be especially problematic for injured service members and their families. NMFA asserts that behind every wounded service member is a wounded family. Spouses, children, parents, and siblings of service members injured defending our country experience many uncertainties. Fear of the unknown and what lies ahead in future weeks, months, and even years, weighs heavily on their minds. Other concerns include the injured service member's return and reunion with their family, financial stresses, and navigating the transition process to the VA. The system should alleviate, not heighten these concerns, and

provide for coordination of care that starts when the family is notified the service member has been injured and ends with the DoD and VA working together to create a seamless transition as the injured service member transfers from active duty status to veteran. NMFA urges Congress to request status reports on DoD and VA's partnership initiatives.

Traumatic Brain Injury (TBI) is the signature wound for Operation Enduring Freedom and Operation Iraqi Freedom injured service members. Long-term effects and appropriate treatment for this condition have not been adequately assessed. NMFA is concerned with DoD's decision to cut funding for basic research by 9 percent and 18 percent for applied research. Accurate diagnosis and proper treatment for TBI requires forward leaning initiatives by DoD and VA founded on solid research.

When designing support for the wounded/injured in today's conflict, the "government"—whether in the guise of commander, non-commissioned officer, Service personnel office, a family assistance center, an MTF, or the VA—must take a more inclusive view of military families and remember that a successful recovery depends on caring for the whole patient and not just the wound. Those who have the responsibility to care for the wounded service member must also consider the needs of the spouse, children, and the parents and siblings of single service members. It is time to update TRICARE benefits to meet the needs of this population by allowing medically-retired wounded service members and their families to retain access to the set of benefits available to active duty families during a transitional period following the service member's retirement. These benefits would include the ability to enroll in TRICARE Prime Remote and to continue coverage of a disabled family member under the Extended Care Health Option (ECHO).

To support wounded and injured service members and their families, NMFA recommends that Congress extend the three-year transitional survivor health care benefit to service members who are medically retired and their families and direct DoD to establish a Family Assistance Center at every MTF caring for wounded service members.

Support for Families With Special Needs

NMFA is grateful to Congress for directing DoD, in Section 717 of the FY 2007 NDAA, to develop a plan to provide services to military dependent children with autism. This complicated condition places a burden on many military families. Unfortunately, current TRICARE policies increase that burden because families cannot access the care their children need. Frequent military moves make it difficult for these children to receive a consistent level of services. Deployment of a service member removes a caregiver from the home, making managing therapy and doctors' appointments, negotiating with school officials for suitable services, and caring for other children in the family difficult for the parent remaining behind. In the FY 2002 NDAA, Congress authorized the Extended Care Health Option (ECHO) to provide additional benefits to active duty with a qualifying mental or physical disability in recognition of extraordinary challenges faced by active duty families

because of the service member's deployment or frequent relocations that often make accessing services in the civilian community difficult.

As we stated last year, families with autistic children reported difficulties in obtaining Applied Behavioral Analysis (ABA) therapy since the implementation of ECHO. We appreciate this Subcommittee's support of Section 717 and its recognition that DoD was not fulfilling its obligation to these families. We thank Congress for requiring the Department to seek family member input in developing its plan and are monitoring this process closely. DoD sought parent input through a special e-mail address and is also working with selected parents on aspects of the plan. NMFA is also gathering additional input from parents, which it will share with the TRICARE Management Activity. We will be working to ensure the concerns of these military service members and spouses are addressed in the plan. We also thank Service leaders, especially in the Marine Corps, for their interest in this issue and in ensuring the plan will be responsive to family and mission needs.

We remain concerned that military service members with special needs family members continue to battle a lack of information or support and are often frustrated by the failure of the military health care and family support systems to work together and with civilian agencies to support their families' needs. Like the service members featured in the recent press reports of problems at Walter Reed, special needs military families often experience a system that relies on them to connect the dots and seek out resources rather than providing the care coordination they need.

NMFA requests this Subcommittee monitor DoD's development of a plan to support military family members with autism and to ensure service members with special needs family members are provided the support they need.

Families in Transition

Military families are in a constant state of movement. Through the years, the knowledge that the family would be relocated every two or three years was a constant. Now, there are many different types of transitions. New service members entering the service have spouses or parents who need to be educated on the military way of life and benefits. The closing of installations in Europe is forcing families back to the states into communities that may not have the infrastructure and housing to support them. As service members return from combat and reintegrate with their families and employers, all parties need to have the tools to help in the reintegration process. Survivors—the military families who have sacrificed the most—deserve our Nation's long-term support. What needs to be done to help service members and families in transition?

Base Realignment and Closure, Global Rebasing, and Transformation

As DoD relocates and rebases units, it must be conscious that the further it moves families from an installation and the military community, the more it degrades their ability to benefit from the support of that military community. The current BRAC and rebasing initiatives will result in disruption and upheaval for the

families affected. Military families accept this fact as a reality of the lifestyle they have chosen. What they cannot, and should not, be asked to accept is that they will be asked to move as ordered to a receiving installation that is incapable of providing critical support and services to them. Moving is stressful for any family. It is critical the government does not amplify this stress by allowing the process to move forward in the face of a $3.1 billion shortfall in the funding for necessary infrastructure and facilities to support these families. This critical funding is needed to provide health care, education, housing, child care, and family support programs and facilities for these gaining installations. The Army alone requires thirty new child care centers simply to maintain the level of care currently available on these installations. Military families must be assured that services are in place before they arrive at their new military community.

NMFA strongly asserts that the authorized FY2007 BRAC and rebasing construction and quality of life initiatives must be fully funded.

Survivors

Recently, a story in the *Washington Post* raised awareness about some of the difficulties families encounter in the awarding of survivor benefits to the children of single service members. NMFA has always emphasized that service members and families understand there is a package of survivor benefits. The death gratuity was originally intended to act as a financial bridge, to help with living expenses until other benefits such as the Dependency and Indemnity Compensation (DIC) payment, the Survivor Benefit annuity, and Social Security benefits begin to be paid. The Servicemembers Group Life Insurance (SGLI), is, as its name implies, an insurance. The death gratuity is not an insurance payment, even though its $100,000 payment is bigger than many civilian life insurance plans. Service members may thus regard it as just another insurance plan.

As the law is currently written, the death gratuity must be awarded to the next of kin. The service member may designate multiple beneficiaries for the SGLI. If the parent or sibling of a service member is named as the single beneficiary or one of multiple beneficiaries, there is no stipulation in the SGLI regarding the use of that money for any particular purpose. It is of utmost importance, in light of the increased value of the survivor benefits, that the service member be informed about the difference between the death gratuity and the SGLI payment. It is also important that service members and their families discuss the implications and disposition of these payments, especially when there is a minor child involved. With the increased amount of survivor benefits, it is incumbent upon single service members with children or dual service member couples with children to create not only a family care plan, but an estate plan as well.

NMFA is concerned that the legal necessities of appointing a guardian for a minor child upon the death of their single service member parent may cause a delay in accessing the death gratuity at a time when the family may need this bridge payment the most. Legislation to change the way the death gratuity is awarded must meet two goals: preserving the intent of the death gratuity as a payment to assist with immediate financial needs following the death of the service

member AND protecting the benefits due the minor child. NMFA would support legislation to allow the designation of a parent or sibling of the service member as the recipient of the death gratuity payment if there is a guarantee the payment would be used as that financial bridge for the minor child until other benefits are awarded, with the remainder placed in trust for the child. The protection of the financial future of the child is paramount. If the service member wants to provide for other family members, the proper mechanism is to designate those family members as beneficiaries of all or part of the SGLI.

NMFA appreciates the work being done by DoD and the Services to provide training to casualty assistance officers and to make sure survivors are receiving accurate information in a timely manner. The survivor guide published by DoD and available on-line, *A Survivor's Guide to Benefits: Taking Care of Our Own,* has already been updated several times as new benefits were implemented or needs for information identified. The Army set up the Families First Casualty Call Center, a one stop resolution center to assist surviving family members with questions concerning benefits, outreach, advocacy and support. This call center is available for immediate and extended family members. The DoD/VA committee on survivors is still meeting and reviewing concerns as they arise. NMFA has surfaced concerns from family members who have reached out to us and have been pleased at the response of all the specific DoD and Service casualty assistance offices to these families. Unfortunately, we still occasionally hear of widows or parents who still do not know who to call when there is a concern.

NMFA still believes the benefit change that will provide the most significant long-term advantage to the financial security of all surviving families would be to end the Dependency and Indemnity Compensation (DIC) offset to the Survivor Benefit Plan (SBP). Ending this offset would correct an inequity that has existed for many years. Each payment serves a different purpose. The DIC is a special indemnity (compensation or insurance) payment paid by the VA to the survivor when the service member's service causes his or her death. It is a flat rate payment of $1,067 for the surviving spouse and $265 for each surviving child. The SPB annuity, paid by DoD, reflects the longevity of the service of the military member. It is ordinarily calculated at 55 percent of retired pay. Military retirees who elect SPB pay a portion of their retired pay to ensure that their family has a guaranteed income should the retiree die. If that retiree dies due to a service connected disability, their survivor becomes eligible for DIC.

Four years ago, survivors of service members killed on active duty were made eligible to receive SBP. The amount of their annuity payment is calculated as if the service member were medically retired at 100 percent disability. The equation is the basic pay times 75 percent times 55 percent. The annuity varies greatly, depending on the servicemember's longevity of service.

Surviving active duty spouses can make several choices, dependent upon their circumstances and the ages of their children. Because SPB is offset by the DIC payment, the spouse may choose to waive this benefit and select the "child only" option. In this scenario, the spouse would receive the DIC payment and the

children would receive the full SBP amount until each child turns 18 (23 if in college), as well as the individual child DIC until each child turns 18 (23 if in college). Once the children have left the house, this choice currently leaves the spouse with an annual income of $12,804, a significant drop in income from what the family had been earning while the service member was alive and on active duty. The percentage of loss is even greater for survivors whose service members served longer. Those who give their lives for their country deserve more fair compensation for their surviving spouses. We urge Congress to intensify efforts to eliminate this unfair "widow's tax" this year.

NMFA believes several other adjustments could be made to the Survivor Benefit Plan. These include allowing payment of SBP benefits into a trust fund in cases of disabled children and allowing SBP eligibility to switch to children if a surviving spouse is convicted of complicity in the member's death.

NMFA applauds the enhancement of medical benefits included in the FY 2006 NDAA making surviving children eligible for full medical benefits to age 21 (or 23 if they are enrolled in college) bringing them in line with the active duty benefit for dependent children. To complete the benefit package we ask Congress to allow surviving children to remain in the TRICARE Dental Program until they age out of TRICARE and, in cases where the surviving family had employer-sponsored dental insurance, treat them as if they had been enrolled in the TRICARE Dental Program at the time of the service member's death.

NMFA recommends that surviving children be allowed to remain in the TRICARE Dental Program until they age out of TRICARE eligibility. NMFA recommends the DIC offset to SPB be eliminated to recognize the length of commitment and service of the career service member and spouse and relieve the spouse of making hasty financial decisions at a time when he or she is emotionally vulnerable. The surviving children of single service members who die on active duty require special protections to ensure the proper financial disposition of the enhanced survivor benefits. NMFA asks Congress to provide the proper protections for the child(ren) if allowing a guardian to receive the death gratuity and to remember the original intent of the death gratuity payment was to serve as a financial bridge until the initiation of the payment of the survivors' benefits.

Military Moves

NMFA is gratified that Congress set a deadline in the FY 2007 NDAA for DoD to implement the "Families First" program for Permanent Change of Station (PCS) moves. This program is long overdue. It will provide much needed protections to military families entrusting their most precious possessions to movers, as well as full replacement value reimbursement for goods lost or damaged in a move. We implore the Members of Congress to continue to hold DoD's feet to the fire to deliver this long awaited program for military families.

We also ask Congress to recognize that military spouses accumulate professional goods over the course of a military career. Frequent moves make it

difficult to establish and maintain professional materials used for a job or volunteer actitivies that will ultimately count against the family's weight allowance when the time to move arrives. Military members are permitted a professional goods weight allowance to compensate for the computers, books and equipment that must accompany them from duty station to duty station. We request that spouses be provided this professional courtesy as well.

Finally, a PCS move to an overseas location can be especially stressful. Military families are faced with the prospect of being thousands of miles from extended family and living in a foreign culture. At many overseas locations, there are insufficient numbers of government quarters resulting in the requirement to live on the local economy away from the installation. Family members in these situations can begin to feel extremely isolated; for some the only connection to anything familiar is the local military installation. Unfortunately, current law permits the shipment of only one vehicle to an overseas location, including Alaska and Hawaii. Since most families today have two vehicles, they sell one of the vehicles. Upon arriving at the new duty station, the service member requires transportation to and from the place of duty leaving the military spouse and family members at home without transportation. This lack of transportation limits the ability of spouses to secure employment and the ability of children to participate in extra curricular activities. While the purchase of a second vehicle alleviates these issues, it also results in significant expense while the family is already absorbing other costs associated with a move. Simply permitting the shipment of a second vehicle at government expense could alleviate this expense.

NMFA requests that Congress ease the burden of military PCS moves on military families by authorizing a professional goods weight allowance for military spouses and by authorizing the shipment of a second vehicle for families assigned to an overseas location on accompanied tours.

Pay and Compensation

NMFA thanks Members of this Subcommittee for their recognition that service members and their families deserve a comprehensive benefit package consistent with the extraordinary demands of military service. We ask you to continue to evaluate changing circumstances that may diminish the value of that package and threaten the retention of a quality force. We also ask you to recognize the interaction between the various elements of the compensation package and how they affect families' eligibility for certain state and federal programs.

Despite regular annual pay increases, in addition to targeted raises, over the past several years, military pay for some service members still lags behind civilian pay. NMFA recommends a pay increase of not less than 3.5% for FY 2008. We further urge that future increases remain at least one-half percentage point above private sector pay growth until the estimated 4 percent pay gap is eliminated.

Military Allowances and Safety Net Programs

In Congressional testimony since 2003, NMFA has raised a long-standing frustration for military families: the confusion involved in how and when military

allowances are counted to determine eligibility for military and civilian programs. NMFA again reinforces the need for Members of Congress, as well as state officials, to assist in bringing a sense of order in how military allowances are counted for federal and state programs. We ask you to help ensure equitable access to these safety net services and protect families against disruptions in benefit eligibility caused by the receipt of deployment pays. No family should have to face the prospect of losing valuable benefits for a disabled child because a service member has received deployment orders.

Families living off the installation are often there only because of insufficient on-base housing, yet endure higher expenses than families living on an installation. Ideally, therefore, NMFA believes tax free allowances such as BAH should not be counted under any safety net program, which is how they are now treated in determining eligibility for the Earned Income Tax Credit (EITC). NMFA understands this could increase the number of military families eligible for some of these programs, but believe this increase is justified given the need for equitable treatment of all service members, as well as the loss of spouse income due to military relocations and high operations tempo.

Inconsistent treatment of military allowances in determining eligibility for safety net programs creates confusion and can exact a financial penalty on military families. A start in correcting this inequity would be to adopt a common standard in how BAH should be counted in eligibility formulas and to ensure that the receipt of deployment-related allowances do not cause military family members to become ineligible for support services for which they would otherwise be eligible.

Commissaries and Exchanges

The commissary is a key element of the total compensation package for service members and retirees and is valued by them, their families, and survivors. NMFA surveys indicate that military families consider the commissary one of their most important benefits. In addition to providing average savings of more than 30 percent over local supermarkets, commissaries provide an important tie to the military community. Commissary shoppers get more than groceries at the commissary. They gain an opportunity to connect with other military family members and to get information on installation programs and activities through bulletin boards and installation publications. Finally, commissary shoppers receive nutrition information and education through commissary promotions and educational campaigns contributing to the overall health of the entire beneficiary population.

The military exchange system serves as a community hub, in addition to providing valuable cost savings to members of the military community. Equally important is the fact that exchange system profits are reinvested in important Morale Welfare and Recreation (MWR) programs, resulting in quality of life improvements for the entire community. We believe that every effort must be made to ensure that this important benefit and the MWR revenue is preserved, especially

as facilities are down-sized or closed overseas. Exchanges must also continue to be responsive to the needs of deployed service members in combat zones.

Families and Community

Higher stress levels caused by open-ended and multiple deployments require a higher level of community support. We ask Congress to ensure a consistent level of resources to provide robust quality of life, family support, and the full range of preventative and therapeutic mental health programs during the entire deployment cycle: pre-deployment, deployment, post-deployment, and in that critical period between deployments.

Military families share a bond that is unequaled in the civilian world. They support each other through hardship, deployments, PCS moves, and sometimes, the loss of a loved one. The military community is close knit and must be so. It is imperative that our Nation ensure the necessary infrastructure and support components are in place to support families regardless of where they happen to be located geographically. More importantly, we ask you and other Members of Congress to ensure that the measures undertaken today in the interest of cutting costs and improving efficiency do not also destroy the sense of military community so critical to the successful navigation of a military lifestyle.

Educating families on what support is being provided helps reduce the uncertainty for families. Preparation and training are key in reaching families and making sure they are aware of additional resources available to them. While NMFA appreciates the extraordinary support that was made available to address the special needs of the families during deployment extensions and the recent "Surge", our Nation must ensure this level of support is available to all families day in and day out. Military family support and quality of life facilities and programs require dedicated funding, not emergency funding. Military families are being asked to sustain their readiness. The least their country can do is make sure their support structure is consistently sustained as well. Strong families equal a strong force. Family readiness is integral to service member readiness. The cost of that readiness is an integral part of the cost of the war and a National responsibility. We ask Congress to shoulder that responsibility as service members and their families shoulder theirs.

Statement of

F. Jed Becker

Armed Forces Marketing Council

before the

Subcommittee on Military Personnel

Committee on Armed Services

United States House of Representatives

March 1, 2007

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Introduction

Good afternoon, Mr. Chairman, and distinguished members of the Subcommittee on Military Personnel:

My name is Jed Becker; I am a member of the Armed Forces Marketing Council (AFMC). I appreciate the opportunity to be here today to offer comments concerning the military resale system, and the vital role it plays in supporting our troops and their families.

The Council was incorporated on April 25, 1969 as a non-profit business league. It is comprised of firms representing manufacturers who supply consumer products to military resale activities worldwide. A list of firms serving on the Council is at Exhibit 1.

Mr. Chairman, before I address issues related to the resale system, I will briefly outline the purpose and objectives of the AFMC.

The purpose is to:

- Promote unity of effort through a cooperative working relationship among the Congress, the military, and industry.
- Provide a forum for addressing industry issues.
- Encourage worldwide availability of quality consumer products at the best possible prices and value.
- Encourage continued congressional support and funding of the resale system.
- Assist in maintaining the resale system as an integral part of military life.
- Promote awareness of sales and marketing agency services to the military resale system.

Council firms also subscribe to a code of ethics requiring that each member firm maintain the highest level of integrity and professional conduct and consider this to be critical to its credibility.

Some firms serving on the Council have been providing service to the resale system for over sixty years. Member firms are small, privately held businesses formed in response to the need for efficient, specialized sales representation to the unique worldwide military resale market. These firms have developed marketing and merchandising programs tailored specifically to deliver efficient support to military resale operations. Through the link they form between the resale system and the manufacturers, these firms assure the continuous availability of the complete array of consumer products normally found in the civilian marketplace. These firms offer services in a more effective manner, or at a lower cost, or both, than all but the very largest manufacturers can provide using their own resources. If that were not the case, the firms belonging to the AFMC would not exist.

AFMC firms represent several hundred manufacturers, both large and small. (A representative sampling is at Exhibit 2). Our firms have a total of over 2,800 people working directly in the stores, with the various resale system headquarters, and with the manufacturers to assure that the right products are on the shelf at the right time, in the right quantities and at the best prices and value. By so doing, they have played a significant role in maintaining the resale system as a vital part of the fabric of the military lifestyle.

It is important to note that AFMC members see themselves as:

- "Stakeholders" in the military resale system.

- Interested in contributing to the continued viability and health of the resale system.
- Having expert perspective based on many decades of experience in servicing the military resale system.

Importance of the Military Resale System

Mr. Chairman, the AFMC strives to do its part to assure the continuation of the military resale system and the value it provides to our service members and their families. We hope the information and perspectives presented here will be useful in your review of the military resale system.

The resale system is an extremely valuable benefit for the total force, including active duty, reserve and Guard, and retirees, and for the central role it plays in recruitment, retention, and morale. Sometimes overlooked is its success in supplying everyday personal needs to deployed forces, including those in hostile fire zones.

Our Armed Forces have been on a war footing, not just since September 11 of 2001, but more accurately since 1990. This lengthy period of high operations tempo and its resultant personnel turbulence from repeated deployments is unprecedented in our history and has resulted in intensely stressful working and living conditions for service members and their families. With this in mind, the case for continuing, and striving to improve the resale system is of vital importance. Any attempt to diminish the value of this benefit should be rejected.

To the benefit of military patrons across the world, the military resale market is elegant in the simplicity of its design. Competitive forces meet in a marketplace that forms a cornerstone in a suite of benefits committed to supporting military families.

In addition to being an efficient benefit and contributor to quality of life, the Military Resale System works well! It's honest, efficient and responsive. Taxpayers, legislators, and leaders throughout government can share in the pride of this success story. This success comes as a result of the dedication exchange and commissary operators have made to customer service, patron savings and an unfailing commitment to continued process improvement.

These are not loose judgments. Instead, they are based on scientific surveys of pricing and patron satisfaction and on largely favorable comparisons with outside-the-gate retailers on sales trends, business systems, and asset management.

While the success of commissary and exchange operations is in many ways self-generated, it is also a result of steady non-partisan oversight and support from numerous well-informed members of Congress. The members of the Armed Forces Marketing Council thank you for that, as would other segments of the supplier community. But more importantly, given the chance, military members and their families who fully understood your role, would also offer their gratitude.

Having said that, we have some observations and suggestions.

Proposal to Consolidate Resale Activities

Over the past several years, the Congressional Budget Office has repeatedly recommended that (i) military commissaries and exchanges be consolidated, (ii) prices in commissaries be raised to generate operating funds, or (iii) that a yearly grocery allowance be provided to active duty personnel. As we have stated in past hearings, there are several significant fallacies in these ideas:

- No compelling evidence has ever been developed that demonstrates that consolidating the exchanges and commissaries will achieve significant savings, either in operating costs or prices to service men and women.
- Increasing the cost of products in commissaries would clearly reduce overall military compensation, particularly for those who would not qualify for any allowance (including retirees and most National Guard and reservists), and for those families whose current savings exceed such an allowance.
- The current billion-dollar commissary subsidy equates to a fraction of the dollar value of the savings that are generated when authorized patrons shop in military stores. Looked at another way, total purchases by commissary patrons of over $5 billion would cost well over $7 billion at private sector commercial prices.
- Active duty service members are astute in assessing the "value" of the benefits they are afforded. While several initiatives driven by the CBO may meet short-term fiscal objectives, it is the continuity of your vigilance that must serve to recognize the complexity of the perceived value these benefits hold and the impact they have on recruitment and retention.

That said, it is important to recognize that the Exchange Services and the Defense Commissary Agency have promising collaborative initiatives underway. We encourage them to continue these efforts believing that these experts are best suited to seize these opportunities.

Second Destination Transportation (SDT) Funds

The Congress passed legislation that clearly mandated the funding of this function, which assures that American products get shipped to foreign-based exchanges and commissaries at taxpayer expense. In the absence of SDT funding, prices would be unfairly raised to overseas-based troops and families, in order to absorb the freight costs associated with getting these goods to these service members and their families. Alternatively, the services would be forced to reduce MWR earnings by an unacceptable amount, or to shift all their overseas procurement to offshore sources. Simply stated, none of these consequences are acceptable. SDT must continue to be fully funded – it's the right thing to do for our forces.

Relief from ASER Merchandise Restrictions

The AFMC is most appreciative of the past actions by Congress to alleviate many item and cost restrictions imposed upon the military exchanges. Past relief from restrictions on TV's has had an impressive impact on exchange sales and customer satisfaction. We believe that further lifting of restrictions will yield similar positive results. Lifting these restrictions is both necessary and prudent.

Existing policy, established by Congress and promulgated in DoD Instruction 1330.21 "Armed Services Exchange Regulations" (ASER) prohibits the military exchange services from (i) initiating capital construction, (ii) renovating existing facilities, for the purpose of providing additional space in which to sell furniture, and (iii) places a procurement cap of $900 per unit on the wholesale cost of furniture. In addition, this

policy (iv) prohibits the sale of diamond settings with individual stones exceeding one carat.

The original intent of these restrictions was to protect small, "outside-the-gate" stores from undue competition by military exchanges. Consolidation in the retail industry (e.g., discounters, department stores, category killers, and specialty stores) has rendered these restrictions outdated, thereby placing the exchanges at a competitive disadvantage, and in turn denying military patrons the opportunity to purchase these items at the best value and savings.

The construction and renovation restrictions preclude many exchange stores from stocking furniture; in those stores that can stock it the selection is severely limited. Furthermore, the wholesale cost limitation of $900 per unit precludes the sale of many quality brands, and within some brands, full suites (e.g., bedroom or dining room) cannot be made available, because one item within the suite may exceed the wholesale cost limitation. This restriction on furniture sales is of particular concern in view of BRAC 2005 and force realignments that will accelerate the relocation tempo for families and trigger an increase in the need for furniture purchases, particularly for those returning from overseas locations.

The prohibition on the sale of larger stones exceeding one carat precludes the sale of the fastest growing segment of the jewelry business.

Given these restrictions, military families are forced to shop "outside the gate" where they encounter significantly higher prices. They also encounter much higher interest rates, which are often presented deceptively.

By lifting the ASER restrictions placed on these product categories, military families will be able to purchase these items in the exchanges and these purchases would qualify for the unique set of terms that are maintained to support the exceptional conditions of military service:

- For those who pay the ultimate sacrifice, *Star Card* account balances are written-off. The Exchange Services have written-off well over one million dollars since September 11, 2001.
- *Star Card* interest rates of about 12% are significantly lower than private sector rates of as much as 20% or higher
- Suspension of *Star Card* payments is available to the more than 300,000 Service members during deployment (significantly lightens the stressful financial burden often faced by families, as well as giving peace of mind to the deployed member)
- Worldwide availability of warranty service, repairs, and returns
- Affordable delivery service
- Exchanges offer worldwide availability of trade-up policy, repairs, and returns

While it may be possible that lifting these restrictions could take some sales away from commercial retailers, the impact has proven to be negligible.

The AFMC respectfully requests that the restrictions on furniture and diamonds be lifted to permit increased availability of the items for our military people. Why not do this and allow them the opportunity to receive the best possible value in these items and provide a truly complete compensation benefit? It will require ***no*** appropriated funds!

The Principle of Primacy: A Vital Concept in Maintaining the Balance in Delivery of the Resale Benefit

Resale operators deliver quality goods and services to military families. In effect, these resale operators serve where the military patron serves around the world. In order to meet this commitment, resale leadership faces difficult decisions in allocating scarce resources for the capitalization of its operating infrastructure. History shows that resale leadership has done an outstanding job in managing this critical dimension of their resale benefit delivery strategy. In many cases, the commitment to delivering the benefit requires that military resale operators support facilities that would not be practical and would never be proposed by a civilian business operator. These operations might be referred to as "least favorable financial operating environments."

At the other end of this spectrum are the "most favorable financial operating environments." Let's face it; continuity in delivering the global resale benefit requires that this balance is not broken. We believe that current legal framework regarding this issue is fitting. I have made these comments only to request your vigilance in protecting this fragile balance from the threat presented by short-sighted opportunities dressed up as "innovation."

Reimbursement to Exchange Operators for Operations in OEF and OIF

The efforts by exchanges in support of the deployed troops have been exemplary and outstanding and have been lauded by all who have benefited from it as a true "Touch of Home." This support has been provided at a substantial operational cost to the exchange operations and is thereby a cost actually borne by the troops themselves. Why is this so? All exchange earnings are generated from dollars spent by the troops.

If left to fund OEF and OIF operations directly, the exchange operations are forced to reduce their contributions to MWR operations. This, in turn, reduces the MWR support to the troops. Ultimately, this negatively impacts retention.

The exchanges, most significantly AAFES, are authorized to receive reimbursement for these costs, but as yet have not received any. The AFMC urges both the Department of Defense and Congress to provide this reimbursement.

Military Resale Transition Benefits for Global War on Terrorism (GWOT) Veterans

As if there were any doubt, the GWOT has proven that this generation – like its predecessors – has its share of true patriots, genuine heroes and heroines who are willing to sacrifice all to protect our nation's values and freedom. It has also reminded our citizens jut how much we owe to the members of our Armed Forces – active, reserve and Guard – and the families they leave behind. They and they alone bear the burden of this cosmic struggle in ways both obvious and subtle that most of us on the home front cannot begin to appreciate fully.

Rhetorical support for our troops is fine but as this Committee well knows, conversation needs to be matched with real deeds. It goes without saying that our wounded and disabled deserve whatever it takes to make them and keep them as whole as possible for the rest of their lives. The AFMC also supports the initiative that has started to gain attention in Congress, which would provide medical benefits for a period of time for all GWOT veterans.

AFMC would like to propose yet another way to demonstrate our nation's gratitude to GWOT veterans. We believe that it would be most fitting to reward their devoted service with transitional Commissary and Exchange privileges. These

privileges could be implemented simply and speedily and, best of all, would not impose any additional cost on the taxpayer! Such a gesture would send a very meaningful and timely message to the proposed recipients. In our opinion, it is the least our country can do for this special class of veterans. We respectfully urge this Committee to consider our proposal favorably.

Base Closures

The AFMC continues to recognize that retention of military resale facilities at all closed bases is not feasible. Nevertheless, we urge Congress to consider retention of those facilities wherever possible, particularly at those locations where there is a sizeable population of reserve, National Guard, and retired service members, and especially at a time when so many reserves and Guard members have been called up to active duty, some for very lengthy and repetitive tours.

It must be remembered that the purpose of the resale system is to enhance the quality of life of all members of the uniformed services, including retirees, and their families. There is often a tendency to overlook those career service members who are no longer on active duty.

Summary

Mr. Chairman, the Armed Forces Marketing Council recognizes that there can be no let-up in seeking operational improvements and cost savings in all elements of the military resale system, particularly given the current strain on the Defense budget. Nevertheless, those efforts should never serve to degrade the quality of life of the people who make up our armed forces.

As for the ASER restrictions, we ask that you reconsider lessening the restrictions on furniture and diamonds in the exchanges, a move that would add value to Service members' compensation with absolutely ***no*** adverse impact on the budget.

Lastly, we respectfully implore you to grant our GWOT veterans the privilege of continuing to patronize the military resale system to provide them a manageable and unburdened readjustment to civilian life and career.

Thank you, Mr. Chairman and members of the Subcommittee on Military Personnel for the opportunity to appear before you and for your attention and consideration of the AFMC viewpoints. We appreciate your interest in assuring the best for our troops. I stand ready to receive your questions.

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***Frank J. Makely, Jr.**, President*
(314) 436-2155
(314) 436-4535 FAX

S & K SALES CO.
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101 Merritt 7 Corporate Park
Norwalk, CT 06851
***F. Jed Becker**, CEO*
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(203) 840-8978 FAX

Exhibit 1

Major Companies Represented by Member Firms of the *Armed Forces Marketing Council* To One or More Segments of the Military Resale System

Acclaim Entertainment
Alberto Culver
Alcoa
Allergan
American Italian Pasta
Anheuser-Busch
Arizona Beverage
Atari
Audiovox
B&G Foods
Banfi Vintners
Bausch & Lomb
Bayer
Bic-Sheaffer
Blue Bunny Ice Cream
Bonne Bell
Brachs Confections
Bridgestone/Firestone
Bush Beans
Cadbury Adams
Campbell
Canon
Carl Buddig
Challenge Butter
Chattem, Inc.
Chef America
Chicken of the Sea Seafoods
Coca-Cola
Colgate Palmolive
Columbia Sportswear
ConAgra
Contico
Conwood Tobacco
Coty
Dannon
DeLonghi
Del Monte
Del Pharmaceuticals
Diageo
Dial
Dr. Pepper/Seven Up
Dreyers Edy's Grand Ice Cream
Dunlop Golf
Durex Products
EAS
Eastman Kodak
Euro-American Foods
Eveready
Ferrero USA
Fleishmann's Yeast
Florida Natural
Focus Golf
Frito Lay
Future Brands
General Mills/Pillsbury
Georgia Pacific
Glaxo SmithKline
Godiva Chocolatier
Guess Watches
Haagen-Dazs
Hamilton Beach/Proctor Silex
Hanes
Hartz Mountain
Hawaiian Isles Coffee
Hawaiian Tropics
Heineken
Heinz
Hershey
Hills Pet Nutrition
Hormel Foods
Hostess-Wonder
JVC
Johnson & Johnson
Kikkoman
Kiwi Brands
Konami of America
Konica Minolta
Kraft-Nabisco
Land O' Lakes
Lea & Perrins
L'eggs
Lego
Leiner Health
L'Oreal
Luxottica Group
Marcal Paper Mills
Mars
Maybelline
Maytag
McIlhenny
Melitta, North America
Midway Home Entertainment
Miller Brewing
Morton Salt
Motts
Multifoods
Musco Foods
Nestle
Neutrogena
Newman's Own
Nike Golf
Norvartis
Osram Sylvania
Panasonic
Pentax
Pentel
Pennzoil Quaker State
Pepperidge Farm
Pepsi Cola
Perdue Poultry
Pfizer
Philip Morris
Pictsweet
Pinnacle Foods
Playtex
Procter & Gamble/Gillette
Quaker Oats
R.J. Reynolds
Reckitt Benckiser
Reebok
Reilly Foods
Riviana Foods
Ross Labs
S. C. Johnson & Son
Samsonite
Sara Lee
Sargento Cheese
Schering-Plough
Sealy
Seiko/Pulsar
Seneca Foods
Shasta
Shop Vac
Shultze and Burch
Sioux Honey
Smucker's
Snapple Beverage
Snyder's Pretzels
Solo Cup
Sony
Stockmeyer
The Wine Group
Schick
3DO
3M
Timex
Tony's Pizza Service
Tootsie Roll
United States Tobacco
U.S. Nutrition
Vanity Fair Mills
Veryfine
VIP Frozen Vegetables
Vivendi
Voquestrap
Waterpik
Welch's
Wieder's Nutritional
Wilson Sports
Wrigley
Yankee Candle

Exhibit 2

STATEMENT BY:

DOUGLAS B. McALISTER

CHAIRMAN – AMERICAN LOGISTICS ASSOCIATION

BEFORE THE SUBCOMMITTEE ON PERSONNEL

ARMED SERVICES COMMITTEE

UNITED STATES HOUSE OF REPRESENTATIVES

FIRST SESSION, 110TH CONGRESS

HEARINGS ON

MILITARY RESALE AND MORALE, RECREATION, AND

WELFARE PROGRAMS

MARCH 1, 2007

NOT FOR PUBLICATION
UNTIL RELEASED BY
HOUSE ARMED SERVICES COMMITTEE

Mr. Chairman and Distinguished Members of the Subcommittee:

The American Logistics Association (ALA) is most grateful to this Subcommittee for continuing its strong leadership in preserving and improving the commissary, exchange, and MWR benefits for service members, military retirees and their families.

It is an honor to be here today as Chairman of the Board of ALA representing nearly 250 of America's leading manufacturers, nearly 60 brokers and distributors, service companies, media outlets and more than 1400 individual members who are actively engaged in providing goods and services to the military resale and MWR activities. Our primary goal is to enhance the quality of life for active duty, Guard and Reserve, and retired military personnel and their families. Our members include companies listed on the Fortune 500 list such as Coca-Cola, Procter & Gamble, Campbell Soup Company, BIC USA, PepsiCo, The Clorox Company, Johnson & Johnson, ConAgra Foods, U.S. Nutrition, Kellogg's, H. J. Heinz, L'Oreal, Brown-Forman Beverages, Unilever, Masterfoods USA, and AT&T. Our members are also small businesses such as Strive Smart Strength, Inc., National Industries for the Blind, Lighting and Sound Karaoke, Fitlinxx, Mission Foods, Gopher Sport, NISH Company, Hunter Fan, School Specialty, Inc., Hawaii Coffee Company Veterans Imaging Service, Butterball, LLC, Highland Beef Farms and Empower IT.

ALA members supply goods and services to the military community and employ several thousand military spouses, family members and retired service members. ALA member firms, including brokers, manufacturers and distributors, offer employment opportunities through a wide range of full-time and part-time positions located on or near U. S. military installations around the world. Many military spouses have found career opportunities with our member companies.

Not only am I here today to speak to the relevance and engagement of ALA members within the military resale and MWR community, more importantly, I am here today as an advocate for enhanced quality of life for our nation's military service members, retirees and their families. The activities of organizations like ALA continue to give hope that there are watchdogs present to protect and promote the benefit and to speak on behalf of Service members and their families. The unwavering support of this subcommittee is another reason to have confidence that the benefit will be protected. However, there is reason for concern in the face of what could be disturbing trends within DOD.

I am proud to be ALA's spokesman and to reaffirm ALA's strong commitment to maintaining and improving the commissary and exchange benefit as an integral part of the total, non-pay compensation package for service members and their families. We support these dynamic programs; they provide a broad range of consumable products, goods and services for military personnel and their families, including essential financial support to MWR programs which benefit the entire military community.

Our association actively supports and promotes programs that enhance the quality of life for our military service members, retirees and their families. Exchanges are a key component of DOD's quality of life programs. Unfortunately, authorized patrons continue to be limited in their choice and selection of merchandise sold in exchanges. The Armed Services Exchange Regulation (ASER) delineates who is authorized to use the exchange benefit and what can or cannot be sold by the exchanges. Mr. Chairman, it is ALA's position that shoppers should have a choice without restrictions on merchandise sold in exchanges. Our members want and deserve access to all products that meet their families' needs at the reasonable price typical of the exchanges. ASER restrictions may well drive authorized patrons away from the exchange, negatively impacting their tendency to utilize the commissary and the exchange.

ALA appreciates this subcommittee's support for limited changes to ASER. While these proposals were not fully approved by Congress, ALA considers the effort to be a step in the right direction. Specifically, the subcommittee supported elimination of the prohibition on the sale of projection televisions and an increase in the cap on the unit cost to the exchanges on the sale of televisions from $3,500 to $4,000. In addition, the committee supported an increase in the cap on the unit cost to the exchanges on the sale of finished furniture from $900 to $1,100 and for a study to examine the demand for jewelry within the military market. To reiterate, the subcommittee's recommendations were a good beginning; however, the most equitable way to provide this benefit to deserving military families is to lift all ASER restrictions. Many of them have

been overcome by technological improvements and changing lifestyles, and are simply outdated. Others place simply an unfair and arbitrary restriction on the exchanges and their patrons.

ALA supports the primacy of exchange and commissary stores on all military installations and in military housing areas to include privatized housing areas. We believe that the current policy regarding this issue is appropriate. Civilian retail outlets should not have authority to operate in military housing areas or on military installations.

Exchange merchandise sales are the major source of funding for DOD's MWR programs. Each year exchanges provide hundreds of millions of dollars in dividends that are returned to military communities. In FY '06, for example, the exchanges provided more than $235 million in dividends. Without these dividends, MWR activities would not be able to fulfill their mission, and as a result, many worthy programs such as child-care centers, youth activities and other quality of life programs would be negatively impacted.

Mr. Chairman, many of our MWR oriented members are concerned about the recent cancellation of exemptions to the Trade Agreements Act regarding the sale of items from non-designated countries to federal customers through GSA and other contracts under the Federal Acquisition Regulations. There are many key categories of products required by our federal customers that simply are not produced in any commercial volume in any nation compliant with the Trade Agreements Act. For example, one category of affected products is the basic

ceiling fan that is used extensively in military family housing and in federal offices.

As a result of the termination of the exemptions to the Trade Agreements Act, this key quality of life category is eliminated from all GSA Schedules and other forms of federal procurement. Unfortunately, there are a growing number of key categories of goods that are no longer available for federal procurement due to non-availability of production from approved sources.

ALA supports the former exemption process wherein warranted contracting officers may grant exemptions to the Trade Agreements Act in verified cases of product non-availability from designated sources.

Mr. Chairman, as ALA views exchanges and the MWR dividend resulting from sales, our members are increasingly concerned about program funding given today's realities. Added to that, exchange dividends in the aggregate will certainly decline when troops and military families return from Europe to be CONUS-based. In today's troubled world, service members and their families are being asked to endure ever-greater workloads and ever-greater sacrifices. Frequent, repeated deployments, often nearly back-to-back, greatly stress the force and every military family. In addition, Guard and Reserve operational tempo has placed enormous strains on Reservists, their family members and their civilian employers. At these times, the presence of vibrant MWR activities is crucial.

The exchanges deserve an enormous amount of credit for the millions of dollars contributed to service MWR programs. To ensure the well being of these important quality of life activities, DOD has made a commitment to provide appropriated fund support to Category A and Category B programs. However, budget pressures are causing the military services to reconsider this obligation. In the end, the troops and the families suffer and the nation loses.

ALA urges Congress to ensure that DOD honors its commitment to the troops to fund these programs at least to the 85 percent level for Category A and 75 percent for Category B requirements. These programs are especially critical to the readiness of our forces and the support of their families during this period of conflict and extended unpredictable separations.

ALA applauds Congress for passing a provision in the National Defense Authorization Act for FY 07 that mandates appropriated funds be used to ship goods for sale in overseas commissaries and exchanges. ALA strongly supports continued Second Destination Transportation (SDT) funding for goods shipped for resale by the Army and Air Force Exchange Service (AAFES) to overseas locations. Given ALA's concerns for the welfare of military families, we strongly urge Congress to sustain its aggressive oversight role and to continue opposing the Army's regular effort to duck its responsibility. The Army is the Executive Agent here and reductions to the SDT account that would result in the increased costs of exchange goods is being borne by service members. Of the many accounts within the budget of the Army, there are very few that have such a direct affect on the quality of life of service members and the communities in

which they live. It is a clear and present danger when responsibility for quality of life programs are placed in the hands of individuals who view this role more as a burden, than a privilege.

Mr. Chairman, ALA is committed to preserving the value of the commissary benefit that is widely recognized as the cornerstone of quality of life benefits and a valued part of the service members' total compensation package. ALA appreciates the subcommittee's provision in the FY 06 NDAA that establishes a moratorium through December 31, 2008 on commissary privatization studies to allow the Defense Commissary Agency (DeCA) time to reengineer its workforce prior to competing with civilian entities. ALA asks that you continue to monitor DeCA's progress and favorably consider an extension, if necessary, due to circumstances beyond DeCA's control.

ALA supports cost savings and effective oversight and management; however, we remain vigilant about the unrelenting DOD pressure on DeCA to cut spending and squeeze additional efficiencies from its operations. More than any other agency of the federal government, DeCA deserves credit for its years of effective reform initiatives and improved business practices.

Overseas rebasing and Base Realignment and Closure (BRAC) issues also are of significant concern to our members. ALA is concerned about the potential impact on every quality of life program during the Defense department's transformation, global repositioning, Army modularity, and BRAC initiatives. Serious consideration must be given to the implications of such initiatives, not only currently serving military members and their families, but to all in the

beneficiary population. ALA wants to ensure that necessary family support/quality of life program dollars and services are in line with DOD/Military Services rebasing plans, including critical family support/quality of life programs, such as MWR, child care, exchanges and commissaries, housing, health care, education, family centers, and other traditional support services.

It has been about half a century since the last massive military global repositioning or restructuring has occurred. History provides some insight to problems that arise when policies and plans fail to consider military personnel and their families, particularly in the area of recruiting and retention. Given the current fiscal environment and long-term financial challenges of war, ALA continues to express strong concerns about the importance of sustaining vital support services and quality of life programs. Mr. Chairman, no longer do we have to anticipate that these programs may be at risk, we know from military officials and current news reports that cutbacks in base operation accounts and reduction in base services because of funding shortfalls are real and are expected to get worse.

Either DOD will need to continue to ask for supplemental funding, or the Military services will have to fund transformation out-of-hide through program cuts that likely would hurt readiness. The most troublesome alternative is to fund changes by shifting the burden to service members and their families. That is, allowing them to come home to the United States or relocate to military and civilian communities that are unprepared, therefore threatening to degrade the

quality of life for troops and families at a time of unprecedented stress on the all-volunteer force.

As the military community continues to respond to heightened operations tempo and anticipates the movement of service members and families due to transformation initiatives, global rebasing, and base closure and realignment, ALA urges Members of Congress to protect the interests of all beneficiaries.

There have already been indications of problems and lack of military and civilian community infrastructure and resources in implementing recent Army modularity initiatives. The recent House passed Continuing Resolution eliminates more than half of the money DOD needs to meet its BRAC commitments. While DOD is in the process of reshaping our nation's military forces into a more modern and mobile force, a major element of this plan is the stationing of our forces in a more efficient manner. This efficiency is the essence of BRAC. According to the BRAC commission, if its recommendations are implemented, it would save U.S. taxpayers over $20 billion. DOD is in the process of implementing these recommendations.

The $5.6 billion in BRAC funding for FY 07 is directly tied to a very complicated schedule of troop movements. Delaying these projects for even one year will put in jeopardy the return of over 12,000 troops and their families to the U.S. These troop units cannot return to the U.S., if they do not have the facilities in which to live, work, and train. As many as 33 states could be affected by this funding shortfall.

ALA will continue to stay actively engaged in monitoring and reporting discrepancies related to the implementation of BRAC, not only to ensure the full impact of BRAC initiatives are realized, but to make sure that any fallout from other transformation initiatives like global repositioning and Army modularity are considered within each beneficiary community and to advocate for beneficiaries impacted by these initiatives.

Finally, Mr. Chairman, I would like to call your attention to a highly sensitive issue within the military resale industry – base access. The Department of Defense has missed an opportunity to take the best possible role in the implementation of a Department-wide system to provide base access credentials to those non-DOD employees who do business on military installations on a frequent, often daily, basis. In fact, military installations are looking and selecting stand alone solutions instead of capitalizing on the combined purchasing power of DOD's 1,100-plus locations. As a result, individual military facilities are developing their own programs and entering into contractual relationships in a sincere effort to comply with the implementation schedule expressed in homeland security and other directives.

Not surprisingly, installations seek to meet this requirement in a cost-neutral manner, passing the costs along to the individuals who apply for the credentials. Even small companies engaging in business with the commissary, military exchanges and other quality of life enterprises, will have many employees who call on multiple installations. This situation, caused by the Pentagon, might easily increase the cost to a company in excess of a thousand

dollars per employee per year – hundreds of thousands of dollars for some companies. While companies planned to absorb the reasonable cost of a Department-wide credential, this extreme additional expense will find its way into the cost of goods.

As prices go up in the commissary, the exchanges, and at MWR activities, the value of the resale and quality of life benefits diminishes. ALA member companies understand that they should pay a reasonable price for a credential that gains them access to all installations. The DOD Common Access Card does this for active duty personnel, civilian employees, contractors, and some family members and retirees. The Defense Department has had ample time to come up with one common form of credentialing for people who do business on military installations on a frequent, regular basis. ALA members, as well as many others, need a common credential that will allow timely, efficient access to military installations.

We urge Congress to ensure the Department of Defense develops a common credential program that will work for all military bases in the United States and overseas. DOD has a credential; now we need the system in place to read the credential at the base access point. Also, we ask this subcommittee to ensure the cost of these cards does not result in a burden on the uniformed service members, their family and that the program be moved forward so cards are issued within six-months.

In short, we urge Congress to pressure the Department of Defense to make a decision to implement a credential program that works across the Department.

Maintaining a dynamic military community with outstanding quality of life programs is essential in today's climate of repeated deployments, demanding workloads, and greater sacrifices by service members and their families. Without the continued support and active oversight of the Congress, the benefits now afforded to our military community may be placed in jeopardy and our service members, retirees and their families will suffer.

Mr. Chairman, ALA is grateful to this subcommittee for its active commitment to protect the commissary and exchange benefit, and its oversight and support of MWR and other quality of life support programs for the military community. Thank you, Mr. Chairman and Members of the Subcommittee for providing industry the opportunity to present its views on these critically important topics. More importantly, thank you for your stewardship of these important benefits that are essential to our military families' quality of life.

DOCUMENTS SUBMITTED FOR THE RECORD

MARCH 1, 15, 2007

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STATEMENT OF

THE MILITARY COALITION (TMC)

before the

SUBCOMMITTEE ON MILITARY PERSONNEL,
HOUSE ARMED SERVICES COMMITTEE

March 01, 2007

Presented by

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Director, Government Relations, Military Officers Association of America (MOAA); and
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MISTER CHAIRMAN AND DISTINGUISHED MEMBERS OF THE COMMITTEE. On behalf of The Military Coalition, a consortium of nationally prominent uniformed services and veterans' organizations, we are grateful to the committee for this opportunity to express our views concerning issues affecting the uniformed services community. This testimony provides the collective views of the following military and veterans' organizations, which represent approximately 5.5 million current and former members of the seven uniformed services, plus their families and survivors.

- Air Force Association
- Air Force Sergeants Association
- Air Force Women Officers Associated
- American Logistics Association
- AMVETS (American Veterans)
- Army Aviation Association of America
- Association of Military Surgeons of the United States
- Association of the United States Army
- Chief Warrant Officer and Warrant Officer Association, U.S. Coast Guard
- Commissioned Officers Association of the U.S. Public Health Service, Inc.
- Enlisted Association of the National Guard of the United States
- Fleet Reserve Association
- Gold Star Wives of America, Inc.
- Jewish War Veterans of the United States of America
- Marine Corps League
- Marine Corps Reserve Association
- Military Chaplains Association of the United States of America
- Military Officers Association of America
- Military Order of the Purple Heart
- National Association for Uniformed Services
- National Military Family Association
- National Order of Battlefield Commissions
- Naval Enlisted Reserve Association
- Naval Reserve Association
- Non Commissioned Officers Association
- Reserve Enlisted Association
- Reserve Officers Association*
- Society of Medical Consultants to the Armed Forces
- The Retired Enlisted Association
- United States Army Warrant Officers Association
- United States Coast Guard Chief Petty Officers Association
- Veterans of Foreign Wars of the United States
- Veterans' Widows International Network

*The Reserve Officers Association supports the non-health care portion of the testimony.

The Military Coalition, Inc., does not receive any grants or contracts from the federal government.

EXECUTIVE SUMMARY

Active Force Issues

End Strength and Associated Funding – The Coalition strongly urges the Subcommittee to provide additional recruiting and retention resources to enable uniformed services to achieve required optimum-quality personnel strength skills/occupational mix and the health of the entire force.

Pay Comparability and Targeted Pay Increases – The Coalition urges the Subcommittee to propose a military pay raise of at least 3.5% for FY2008 (one-half percentage point above private sector pay growth) and to continue such increases until the current 4% pay comparability gap is closed. The Coalition also urges the Subcommittee to continue periodic targeted pay raises as appropriate to recognize the growing education and technical qualifications of enlisted members and warrant officers.

Access to Quality Housing – The Military Coalition urges correction of military housing standards that inequitably depress BAH rates for mid to senior enlisted members by assuming their occupancy of inappropriately small quarters.

Family Readiness and Support – The Coalition urges the Subcommittee to expand family support and financial education programs to meet growing needs associated with extended deployments and the more complex insurance, retirement, and savings choices faced by overworked military families in today's complicated world.

Predatory Lending – The Coalition urges the Subcommittee most strongly to oppose any changes to the statutory provisions enacted in the FY2007 Defense Authorization Act.

Flexible Spending Accounts – TMC urges the Subcommittee to continue pressing the Defense Department until service members are provided the same eligibility to participate in Flexible Spending Accounts that all other federal employees and corporate employees enjoy.

Permanent Change of Station (PCS) Allowances – The Military Coalition supports upgrading permanent change-of-station allowances to reflect the expenses members are forced to incur in complying with government-directed relocations, with priority on adjusting the twenty two year old PCS mileage rates. Additionally, the Coalition urges authorizing a shipment of a second Privately Owned Vehicle at government expense to overseas' accompanied assignments.

BRAC/Rebasing/Military Construction/Commissaries – The Coalition urges the Subcommittee to ensure family support/quality of life programs and services are not reduced, but are expanded to fully accommodate rebasing/BRAC needs at closing and gaining installations – to include housing, education, child care, military construction, exchanges and commissaries, health care, family centers, unit family readiness, and other support services.

Morale, Welfare, and Recreation Programs – TMC urges the Subcommittee to ensure that DoD funds MWR programs at least to the 85 percent level for Category A and 65 percent for Category B requirements.

National Guard & Reserve Issues

Reserve Retirement and 'Operational Reserve' Policy – TMC urges Congress to lower the Reserve retirement age, starting with an adjustment for active duty service, in recognition of the increase in service and sacrifice of Guard and Reserve service members and as an inducement to longer service.

A Total Force Approach to the Montgomery GI Bill – The Coalition strongly supports enactment of H.R. 1102 to consolidate active duty and reserve MGIB programs in Title 38 and align benefit rates according to the length and type of service performed – a Total Force MGIB.

Guard and Reserve End Strength and Readiness – The Coalition urges Congress to maintain and increase Guard and Reserve force end-strengths consistent with the demands being imposed upon them, in addition to providing proper funding for their equipment and training.

Family Support Programs and Benefits – TMC urges Congress to continue and expand its emphasis on providing consistent funding and increased outreach to connect Guard and Reserve families with relevant support programs.

Reserve Compensation System – The Coalition urges the Subcommittee to address the inequities of the "1/30th" rule for special and incentive pays, the cap on annual training points creditable for retirement, housing allowance restrictions and other compensation elements that disadvantage Guard and Reserve members.

Tangible Support for Employers – The Coalition urges the Subcommittee to use all possible influence with the Ways and Means Committee to support needed tax relief for employers of Selected Reserve personnel.

Retirement Issues

Concurrent Receipt – The Coalition urges the Subcommittee to authorize full concurrent receipt of earned military retired pay and VA disability compensation at the earliest possible time, with particular priority for immediate "vesting" of earned military retired pay for Chapter 61 retirees forced into medical retirement before attaining 20 years of service and full, immediate concurrent receipt for retirees deemed "unemployable" by the VA.

Uniformed Services Retiree Entitlements and Benefits – The Coalition urges the Subcommittee to oppose initiatives to "civilianize" the military retirement system in ways that reduce the value of the current retirement system and undermine long-term retention.

Former Spouse Issues – The Coalition urges the Subcommittee to move forward on initiatives to ease at least the most significant inequities under the USFSPA.

Survivor Issues

SBP-DIC Offset – The Military Coalition urges the Subcommittee most strongly to take immediate action to provide relief for this most-aggrieved group of military widows, and pledges

to work with the Subcommittee as needed to avoid another year with no progress at all toward this important goal.

30-Year Paid-Up SBP – The Coalition urges the Subcommittee to seize the opportunity to provide at least one year of relief for the "Greatest Generation" retirees who already have paid nearly 30% more SBP premiums than their successors ever will.

Final Retired Pay Check – The Coalition urges the Subcommittee to end the insensitive practice of recouping the final month's retired pay from the survivor of a deceased retired member.

Health Care Issues

Full Funding for the Defense Health Program – The Military Coalition strongly urges the Subcommittee to take all possible steps to restore the $1.8 billion in TRICARE-related budget authority and ensure continued full funding for Defense Health Program needs.

Protecting Beneficiaries Against Cost-Shifting – The Coalition urges the Subcommittee to require DoD to pursue greater efforts to improve TRICARE and find more effective and appropriate ways to make TRICARE more cost-efficient without seeking to "tax" beneficiaries and make unrealistic budget assumptions.

TMC Healthcare Cost Principles – The Coalition most strongly recommends Rep. Chet Edwards' and Rep. Walter Jones' Military Retirees Health Care Protection Act (H.R. 579) and Sen. Frank Lautenberg's and Sen. Chuck Hagel's Military Health Care Protection Act (S. 604) as models to establish statutory findings, a sense of Congress on the purpose and principles of military health care benefits, and more explicit guidelines for and limitations on adjustments.

- Active duty members and families should be charged no fees except retail pharmacy co-payments, except to the extent they make the choice to participate in TRICARE Standard or use out-of-network providers under TRICARE Prime.

- For retired and survivor beneficiaries, the percentage increase in fees, deductibles, and co-payments that may be considered in any year should not exceed the percentage increase beneficiaries experience in their compensation.

- The TRICARE Standard copay should not be increased further for the foreseeable future. At $535 per day, it already far exceeds inpatient copays for virtually any private sector health plan.

- There should be no enrollment fee for TRICARE Standard, since Standard does not offer assured access to TRICARE-participating providers. An enrollment fee implies enrollees will receive additional services, as Prime enrollees are guaranteed access to providers in return for their fee.

- There should be one TRICARE fee schedule for all retired beneficiaries, just as all legislators, Defense leaders and other federal civilian grades have the same health fee schedule. The TRICARE schedule should be significantly lower than the lowest tier recommended by the Defense Department, recognizing that all retired members paid

large up-front premiums for their coverage through decades of arduous service and sacrifice.

TRICARE Standard Enrollment – The Coalition recommends strongly against establishment of any TRICARE Standard enrollment system; to the extent enrollment may be required, any beneficiary filing a claim should be enrolled automatically, without denying the claim.

Private Employer Incentive Restrictions – The Coalition recommends Congress modify the law restricting private employer TRICARE incentives to explicitly exempt employers who offer only cafeteria plans (i.e., cash payments to all employees to purchase care as they wish) and employers who extend cash payments (e.g., $100 per month) to any employee who uses health coverage other than the employer plan (e.g., FEHBP, TRICARE, or commercial insurance available through a spouse or previous employer).

TRICARE Standard Improvements – The Coalition urges the Subcommittee to establish requirements for TRICARE Standard beneficiary surveys and a definition of what level of provider participation shall be deemed to require positive action to increase it.

Administrative Deterrents to Provider Participation – The Coalition urges the Subcommittee to continue its efforts to reduce administrative impediments that deter providers from accepting TRICARE patients.

TRICARE Reimbursement Rates – The Coalition urges the Subcommittee to exert what influence it can to persuade the Ways and Means/Finance Committees to reform Medicare/TRICARE statutory payment formula. To the extent the Medicare rate freeze continues, we urge the Subcommittee to encourage the Defense Department to use its reimbursement rate adjustment authority as needed to sustain provider acceptance.

The Coalition urges the Subcommittee to require a Comptroller General report on the relative propensity of physicians to participate in Medicare vs. TRICARE, and the likely effect on such relative participation of a further freeze in Medicare/TRICARE physician payments along with the affect of an absence of bonus payments.

Minimize Medicare/TRICARE Coverage Differences – The Coalition urges the Subcommittee to align TRICARE coverage to at least match that offered by Medicare in every area.

Setting the TRICARE Reserve Select (TRS) Premium – The Coalition recommends that the percentage increase in TRS premiums should not exceed the percentage increase in military basic pay, and that there should be no increases for at least two years in light of the 8% increase imposed in 2006. The Coalition further recommends that the Subcommittee request a report from the Department of Defense on options to assure TRS enrollees' access to TRICARE-participating providers.

Private Insurance Premium Option – The Coalition recommends developing a cost-effective option to have DoD subsidize premiums for member's private insurance as an alternative to TRICARE Reserve Select coverage.

Involuntary Separatees – The Coalition recommends authorizing one year of post-TAMP TRS coverage for every 90 days deployed in the case of returning members of the IRR or members who are involuntarily separated from the Selected Reserve. The Coalition further recommends that voluntarily separating Reservists subject to disenrollment from TRS should be eligible for participation in the Continued Health Care Benefits Program (CHCBP).

Gray Area Reservists – The Coalition urges the Subcommittee to authorize an additional premium-based option under which members entering "gray area" retiree status would be able to avoid losing health coverage.

Reserve Dental Coverage – The Coalition supports providing dental coverage to Reservists for 90 days pre and 180 days post mobilization (during TAMP), unless the individual's dental readiness is restored to T-2 condition before demobilization.

Restoration of TRICARE for Widows – The Coalition recommends restoration of TRICARE benefits to previously eligible survivors whose second or subsequent marriage ends in death or divorce.

TRICARE Prime Remote exceptions – The Coalition recommends removal of the requirement for the family members to reside with the active duty member to qualify for the TRICARE Prime Remote Program.

BRAC, Re-Basing, and Relocation – The Coalition recommends codifying the requirement to provide TRICARE Prime in BRAC-affected areas and ensuring, via a report from DoD, that adequate health resources are available to provide care within access standards for those affected by re-basing plans.

Mental Health – The Coalition strongly recommends requiring DoD and the VA to work in concert to ensure a unified strategy to address PTSD and other mental health problems, providing consistent guidance, coordination of efforts, and cross-feed of results of segmented studies, task forces and programs that are currently underway among military services and the two departments.

Pharmacy Co-payment Changes – The Coalition recommends no increases to the co-payment rates until all medications are available in the mail order program. The Coalition further recommends that the percentage of any future pharmacy co-payment increase should be limited to the percentage increase in retired pay since the last co-payment increase, rounded down to the next lower dollar.

Mail-Order Pharmacy – The Coalition recommends eliminating beneficiary co-payments in the mail-order pharmacy system for generic and preferred brand name medications to incentivize use of this lowest-cost venue and generate substantial cost savings.

Rapid Expansion of "Third Tier" Formulary – The Coalition urges the Subcommittee to monitor DoD's consideration of Beneficiary Advisory Panel input in future Uniform Formulary decisions and reassert its intent that the Panel should have a substantive role in the process, including access to meaningful data on relative drug costs in each affected class.

Referral and Authorization System – The Coalition recommends that Congress require a cost analysis report concerning the referral process within DoD and reliance on Civilian Network Providers within an MTF's Prime Service Area.

DoD/VA Health Care – The Military Coalition recommends that Congress mandate a single Joint Transition Office, permanently staffed with personnel from both VA and DoD and having primary responsibility for top-down planning and execution of all "seamless transition" initiatives, including a joint in-patient electronic health record; joint DoD/VA physical; traumatic brain injury, PTSD, and special needs care; coordinated access to care (including long-term support services), and joint research.

Health-Related Tax Law Changes – The Coalition urges all Armed Services Committee members to seek the support of the Ways and Means and Finance Committees to approve legislation to allow all beneficiaries to pay TRICARE-related insurance premiums in pre-tax dollars, to include TRICARE dental premiums, TRICARE Reserve Select premiums, TRICARE Prime enrollment fees, premiums for TRICARE Standard supplements, and long-term care insurance premiums.

OVERVIEW

Mr. Chairman, The Military Coalition (TMC) thanks you and the entire Subcommittee for your continued, steadfast support of our active duty, Guard, Reserve, retired members, and veterans of the uniformed services and their families and survivors. The Subcommittee's work in the 109th Congress generated improvements in military end strength, Reserve health care, survivor benefits, and disabled retiree programs. These improvements continue to make a positive difference in the lives of active, Guard and Reserve personnel, retirees, and families.

As our men and women in uniform continue to prosecute the Global War on Terror, the Coalition believes it is critical that the Nation support our troops with the appropriate resources. The services are reporting that they are wearing out equipment at a record pace – the Coalition is concerned that we are wearing out more than just equipment. The current rate of deployments and the accompanied stress to our troops and their families are also wearing out our most precious weapon system – our men and women in uniform.

The men and women in uniform are answering the call – but not without ever-greater sacrifice. They, with the support of their families, continue to endure mounting stress brought about by repeated deployments and ever-increasing workloads. Therefore, now is not the time to scrimp on the needs for our troops and their families.

Over the past several years, the Pentagon has been constrained in its budget even as it sought to address rising military personnel costs, aging weapons systems, and equipment and facilities shortfalls. To accommodate this no-win situation, Defense leaders have chosen to seek dramatic force reductions in the Air Force and the Navy, drive military retirees away from using their earned health coverage via proposed large fee increases, delay key acquisition plans, and cut back on installation quality of life programs.

The Coalition believes these efforts to "rob Peter to pay Paul" rather than funding the amounts required to meet real readiness program needs will only make the uniformed services more vulnerable in current and future military engagements.

What is encouraging is the Administration's recent endorsement of overdue increases to Army and Marine Corps end strength; however, this is a belated acknowledgement that our troops are being stretched to the breaking point. The Coalition believes that the end strength increase must be programmed and funded through permanent increases in the defense budget, without being forced to rely on temporary supplemental appropriations or continued, short-sighted budget-shifting that cannibalizes funds from selected branches or programs to pay others.

In testimony today, The Military Coalition offers its collective recommendations on what needs to be done to address important personnel-related issues in order to sustain long-term personnel readiness.

ACTIVE FORCE ISSUES

The Subcommittee's key challenges will be to fend off those that wish to cut needed personnel and quality of life programs while working with DoD and the Administration to reduce the stress on the force and their families already subjected to repeated, long-term deployments. Rising day-to-day workloads for those few remaining behind and extending units and members in

unaccompanied locations overseas creates a breeding ground for retention problems. Meeting these challenges will require a commitment of personnel and resources on several fronts.

End Strength and Associated Funding – The Coalition was encouraged when the Subcommittee refused to allow Army and Marine Corps authorized end strengths to decline in FY2007, and we are further encouraged that the DoD has asked for additional manpower increases for the Army and Marine Corps over the next five years.

However, Congress needs to ensure that these increases are sufficient to significantly ease the rotation burdens faced by ground forces for the foreseeable future and the services are fully funded in order to achieve the new end strength. Increasing end strength is not a quick fix that will ease the stressors on service members who are currently serving and their families. A full range of funding is necessary to achieve this end strength, not just the actual personnel and recruitment costs. Funding for housing, health care, family programs, and child care must be included. Asking the services to take these costs out of pocket is a non-starter.

Furthermore, as the Army and Marine Corps increase over the next five years, the Coalition remains concerned about the scope of Navy and Air Force active and Reserve personnel cuts over several years which we believe are driven by budget considerations rather than operational requirements.

The Coalition strongly urges the Subcommittee to provide additional recruiting and retention resources to enable uniformed services to achieve required optimum-quality personnel strength skills/occupational mix and the health of the entire force.

Pay Comparability and Targeted Pay Increases – The Coalition is committed to ensuring that pay and allowance programs are equitably applied to the seven uniformed services. In that regard, the Coalition urges the Subcommittee to be mindful that personnel and compensation program adjustments for Department of Defense forces should also apply to uniformed members of the Coast Guard, NOAA Corps and Public Health Service.

Since the turn of the century, Congress and DoD have made significant progress to improve the lives of men and women in uniform and their families. Since 1999, when military pay raises had lagged a cumulative 13.5% behind the private sector pay comparability standard, the Subcommittee has worked hard to narrow the pay comparability gap to 4%. Each year during that span, the Subcommittee has ensured at least some progress in shrinking that disparity further. TMC is grateful for that progress, and believes strongly that it should continue until full pay comparability is restored.

DoD has used the 70th percentile of earnings of private workers of comparable age, experience and education as a standard to help rebalance the military pay table through special targeted pay increases depending on grade and longevity status. The Coalition believes this is measure is useful as one tool in the process of establishing the proper progression of the pay table, and needs to be monitored and applied as necessary in the future. But it does not, by itself, supplant overall growth in the Employment Cost Index as the measure of pay comparability, nor does it erase the remaining 4% gap between military pay raises and private sector pay growth.

In that regard, the Coalition was disappointed that Congress couldn't see its way clear last year to provide more than a 2.2% raise – the smallest in 13 years – for the troops who are putting their

lives on the line every day for the rest of America. Congress will never find a better opportunity to make progress on reducing the pay gap than when private sector pay growth is relatively low.

In assessing the proper amount to reduce the pay gap, Congress also should consider the perspective that today's troops are having to work much harder – and their families have to sacrifice more – for that earned compensation.

This year, the Defense budget proposes a 3% raise for military personnel – a percentage equal to the growth in private sector pay. The Coalition believes strongly that this is not the time to end Congress' steady path of progress in reducing the military pay comparability gap.

The Coalition urges the Subcommittee to propose a military pay raise of at least 3.5% for FY2008 (one-half percentage point above private sector pay growth) and to continue such increases until the current 4% pay comparability gap is closed. The Coalition also urges the Subcommittee to continue periodic targeted pay raises as appropriate to recognize the growing education and technical qualifications of enlisted members and warrant officers.

Access to Quality Housing – Today's housing allowances come much closer to meeting military members' and families' housing needs than in the past, thanks to the conscientious efforts of the Subcommittee in recent years.

But the Coalition believes it's important to understand that some fundamental flaws in the standards used to set those allowances remain to be corrected, especially for enlisted members.

The Coalition supports revised housing standards that are more realistic and appropriate for each pay grade. Many enlisted personnel are unaware of the standards for their respective pay grade and assume that their BAH level is determined by a higher standard or by the type of housing for which they would qualify if they live on a military installation. For example, only 1% of the enlisted force (E-9) is eligible for BAH sufficient to pay for a 3-bedroom single-family detached house, even though thousands of more junior enlisted members do, in fact, reside in detached homes. The Coalition believes that as a minimum, this BAH standard (single family detached house) should be extended gradually to qualifying service members beginning in grade E-8 and subsequently to grade E-7 and below over several years as resources allow.

The Military Coalition urges correction of military housing standards that inequitably depress BAH rates for mid to senior enlisted members by assuming their occupancy of inappropriately small quarters.

Family Readiness and Support – A fully funded and robust family readiness program continues to be crucial to overall readiness of our military, especially with the demands of frequent and extended deployments.

Last year, Congress authorized a Joint Family Support Assistance Program to augment family center services. TMC applauds that, believing a joint program helps comprehensive integration of Web and family support systems and expanded outreach capability, particularly for Guard and Reserve families who often have limited access to installation resources.

TMC particularly appreciates the Subcommittee's support for $50 million in Impact Aid last year, and we ask for your continued support in ensuring quality education for all military children.

Yet, resource issues continue to plague basic installation support programs. At a time when families are dealing with increased deployments, they are being asked to do without. Often family centers are not staffed for outreach. Library and sports facilities hours are being abbreviated or cut altogether. Manpower for installation security is being reduced. This is one more sacrifice that we are imposing on our families left behind while their service member is deployed.

In a similar vein, the Coalition believes additional authority and funding is needed to offer respite and extended child care for military families. These initiatives should be accompanied by a more aggressive outreach and education effort to improve members' and families' financial literacy. We should ensure members are aware of and encouraged to use child care, mental health support, spousal employment and other quality-of-life programs. This should also include expanded financial education initiatives to inform and counsel members and families on life insurance options, Thrift Savings Plan, IRAs, flexible spending accounts, savings options for children's education, and other quality of life needs.

In particular service members must be educated on the long-term financial consequences of electing to accept the $30,000 REDUX retention bonus after 15 years of service vice continuing under the High-3 retirement program.

The Coalition urges the Subcommittee to expand family support and financial education programs to meet growing needs associated with extended deployments and the more complex insurance, retirement, and savings choices faced by overworked military families in today's complicated world.

Predatory Lending – The Coalition applauds the Subcommittee's work to prevent unscrupulous predatory lenders from preying on military personnel by establishing a 36% rate cap on loans to military members and their families.

But we are concerned that some in the financial industry – with the assistance of some Members of Congress – are working to roll back that limit and other restrictions even before they go into effect. We do not believe that any statutory adjustments will serve military members' and families' interests at this time.

The Coalition urges the Subcommittee most strongly to oppose any changes to the statutory provisions enacted in the FY2007 Defense Authorization Act.

Flexible Spending Accounts – The Coalition cannot comprehend the Defense Department's continuing failure to implement existing statutory authority for active duty and Selected Reserve members to participate in Flexible Spending Accounts (FSAs), despite both Armed Services Committees' prodding on this subject.

All other federal employees and corporate civilian employees are able to use this authority to save thousands of dollars a year by paying out-of-pocket health care and dependent care expenses with pre-tax dollars. It is unconscionable that the Department has failed to implement

this money-saving program for the military members who are bearing the entire burden of national sacrifice in the Global War on Terrorism.

TMC urges the Subcommittee to continue pressing the Defense Department until service members are provided the same eligibility to participate in Flexible Spending Accounts that all other federal employees and corporate employees enjoy.

Permanent Change of Station (PCS) Allowances – The Coalition is very appreciative of the significant change in last year's Authorization Act that required full replacement value for damaged household goods on PCS moves and we look forward to its implementation – at last.

This was a significant step forward; however, service members and their families continue to incur significant out-of-pocket costs in complying with government-directed moves.

For example, PCS mileage rates still have not been adjusted since 1985. The current rates range from 15 to 20 cents per mile – less than half the 2007 temporary duty mileage rate of 48.5 cents per mile for military members and federal civilians. Also, military members must make any advance house-hunting trips at personal expense, without any government reimbursement such as federal civilians receive.

Additionally, the overwhelming majority of service families own two privately owned vehicles, driven by the financial need for the spouse to work and families living some distance from an installation and its support services. Authority is urgently needed to ship a second POV at government expense to overseas accompanied assignments. In many overseas locations, families have difficulty managing without a second family vehicle because family housing is often not co-located with installation support services. They shouldn't be forced by government orders into inevitable financial losses entailed in selling their second car before leaving and buying another upon arrival.

The Coalition also supports authorization of a dislocation allowance for service members making their final "change of station" upon retirement from the uniformed services and a 500-pound professional goods weight allowance for military spouses.

We cannot avoid requiring members to make regular relocations, with all the attendant disruptions in their children's education and their spouses' careers. The Coalition believes strongly that the Nation that requires military families to incur these disruptions should not be making them bear the attendant high expenses out of their own pockets.

The Military Coalition supports upgrading permanent change-of-station allowances to reflect the expenses members are forced to incur in complying with government-directed relocations, with priority on adjusting the twenty two year old PCS mileage rates. Additionally, the Coalition urges authorizing a shipment of a second Privately Owned Vehicle at government expense to overseas' accompanied assignments.

BRAC/Rebasing/Military Construction/Commissaries – TMC remains concerned about lack of detail in communicating an implementation plan for DoD transformation, global repositioning, Army modularity, and BRAC initiatives. Given the current wartime fiscal environment, TMC is greatly worried about sustaining support services and quality of life programs for members and families. These programs are clearly at risk – not a week goes by

that the Coalition doesn't hear reports of cutbacks in base operation accounts and base services because of funding shortfalls.

These concerns have been deepened by the House-passed FY2007 Continuing Resolution, which reduced BRAC funding by $3 billion below the Administration's budget request. Additionally, we are worried by feedback from some locations where military populations are expected to grow substantially that initiatives to accommodate the increased demand for housing, child care, infrastructure and other needs are behind schedule – or not yet underway.

We believe it is important to note that the commissary is a key element of the total compensation package for service members and retirees. In addition to providing average savings of thirty percent over local supermarkets, commissaries provide an important tie to the military community. Shoppers get more than groceries at the commissary. It is also an opportunity to connect with other military family members and to get information on installation programs and activities through bulletin boards and installation publications. Finally, shoppers receive nutrition information and education through commissary promotions and educational campaigns contributing to the overall health of the entire beneficiary population.

The Coalition urges the Subcommittee to ensure family support/quality of life programs and services are not reduced, but are expanded to fully accommodate rebasing/BRAC needs at closing and gaining installations -- to include housing, education, child care, exchanges and commissaries, health care, family centers, unit family readiness, and other support services.

Morale, Welfare, and Recreation Programs – The availability of appropriated funds to support MWR activities is an area of continuing concern. TMC strongly opposes any DOD initiative that withholds or reduces MWR appropriated support for Category A and Category B programs.

Service members and their families are reaching the breaking point as a result of the war and the constant changes going on in the force. It is unacceptable to have troops and families continue to take on more responsibilities and sacrifices and not give them the support and resources to do the job and to take care of the needs of their families.

TMC urges the Subcommittee to ensure that DoD funds MWR programs at least to the 85 percent level for Category A and 65 percent for Category B requirements.

NATIONAL GUARD AND RESERVE FORCE ISSUES

Reserve Retirement and 'Operational Reserve' Policy – The assumption behind the 1948-vintage G-R retirement system – retired pay eligibility at age 60 – was that these service members would be called up only infrequently for short tours of duty, allowing the member to pursue a full-time civilian career with a full civilian retirement. Under the Nation's adoption of an "Operational Reserve" policy, however, Reservists will be required to serve one-year active duty tours every 5 or 6 years. Since Sept. 11, 2001, more than 85,000 Reservists already have served second or third active duty tours.

Repeated, extended activations devalue full civilian careers and impede Reservists' ability to build a full civilian retirement, 401(k), etc. Regardless of statutory reemployment protections, periodic long-term absences from the civilian workplace can only limit Guard and Reserve members' upward mobility, employability and financial security. Further, strengthening the

Reserve retirement system is needed as an incentive to retaining critical mid-career officers and NCOs for a full Reserve career, essential to overall readiness.

TMC urges Congress to lower the Reserve retirement age, starting with an adjustment for active duty service, in recognition of the increase in service and sacrifice of Guard and Reserve service members and as an inducement to longer service.

A Total Force Approach to the Montgomery GI Bill – The Nation's active duty, National Guard and Reserve forces are operationally integrated under the Total Force policy. But educational benefits under the Montgomery GI Bill (MGIB) do not reflect the policy nor match benefits to service commitment.

For the first 15 years of the MGIB, Guard and Reserve MGIB benefits (Chapter 1606, Title 10 USC) maintained almost 50% parity with active duty MGIB benefits. Slippage from that level occurred after the September 11, 2001 attacks. Today the G-R MGIB pays about 29% of the active duty program.

A new Guard and Reserve mobilization MGIB benefit was established in 2004 that authorized MGIB benefits for activated members (Chapter 1607, Title 10 USC). But these benefits can only be used during continued service even though "Operational Reserve" policy requires frequent activations that preclude student-Reservists from using them.

The lack of a readjustment feature to the mobilization MGIB is the ONLY veteran's benefit denied Guard and Reserve veterans of the war on terror.

A member who serves as little as two years on active duty and who may never deploy can have 10 years after leaving service to use his or her MGIB benefit. But a Guard and Reserve member who may serve two or three tours in Iraq is allowed no MGIB benefits after leaving service, having honorably completed his or her military service obligation. The Coalition believes this is a grievous inequity which must be fixed.

The Coalition strongly supports enactment of H.R. 1102 to consolidate active duty and reserve MGIB programs in Title 38 and align benefit rates according to the length and type of service performed – a Total Force MGIB.

Guard and Reserve End Strength and Readiness – Defense and Service leaders have reported that the Guard and Reserve will continue to be integrated into ongoing war on terror operations for the indefinite future. Yet, the FY 2007 National Defense Authorization Act authorizes cuts in the Navy Reserve, Air Reserve Components, and the Army Reserve. The cuts appear to be based only on budget requirements, not missions.

Coupled with a growing backlog of equipment for training, the Guard and Reserve find themselves increasingly unable to meet the new high-optempo "train-mobilize-deploy" cycle. (Previously plans called for lengthy post-call-up training, but that is precluded under DoD's new 12-month maximum tour policy).

The Coalition urges Congress to maintain and increase Guard and Reserve force end-strengths consistent with the demands being imposed upon them, in addition to providing proper funding for their equipment and training.

Family Support Programs and Benefits – The Coalition supports providing adequate funding for a core set of family support programs and benefits that meet the unique needs of Guard and Reserve families with uniform access for all service members and families. These programs would promote better communication with service members, specialized support for geographically separated Guard and Reserve families and training and back up for family readiness volunteers. This access would include:

- Web-based programs and employee assistance programs such as Military One Source and Guard Family.org.
- Enforcement of command responsibility for ensuring that programs are in place to meet the special information and support needs of families of individual augmentees or those who are geographically dispersed.
- Expanded programs between military and community religious leaders to support service members and families during all phases of deployments.
- The availability of robust preventive counseling services for service members and families and training so they know when to seek professional help related to their circumstances.

- Enhanced education for Guard and Reserve family members about their rights and benefits.
- Innovative and effective ways to meet the Guard and Reserve community's needs for occasional child care, particularly for preventive respite care, volunteering, and family readiness group meetings and drill time.
- A joint family readiness program to facilitate understanding and sharing of information between all family members, no matter what the service.

TMC urges Congress to continue and expand its emphasis on providing consistent funding and increased outreach to connect Guard and Reserve families with relevant support programs.

Reserve Compensation System – Increasing demands on the Guard and Reserve to perform national security missions at home and abroad and increased training requirements indicate that the compensation system needs to be improved to attract and retain individuals into the Guard and Reserve. The added responsibility and the reality of returning to active duty multiple times over the course of a Reserve career require improvements to the compensation package and to make it more equitable with the active component. Programs requiring modifications include:

- Career enlisted/officer aviation incentive pay
- Diving special duty pay
- Hazardous duty pay
- Special duty assignment pay
- Pro-pay for Reserve component medical professionals
- Allow full-retirement credits for all inactive duty training points earned annually
- Veteran status to Guard and Reserve members who successfully complete 20 qualifying years of service, but who do not otherwise qualify as veterans under Title 38
- Elimination of BAH II, and authorization of full BAH for any active duty service
- Improved Space-A Travel provision for Guard and Reserve members and their spouses

The Coalition urges the Subcommittee to address the inequities of the "1/30th" rule for special and incentive pays, the cap on annual training points creditable for retirement, housing

allowance restrictions and other compensation elements that disadvantage Guard and Reserve members.

Tangible Support for Employers – Employers of Guard and Reserve service members shoulder an extra burden in support of the national defense. The new "Operational Reserve" policy – requiring extended activation of Reserve formations every five or six years – places even greater strain on employers. For their sacrifice, they get plaques to hang on the wall.

For Guard and Reserve members, employer 'pushback' is listed as one of the top reasons for Reservists to discontinue Guard and Reserve service. If we are to sustain a viable Guard and Reserve force for the long term, the Nation must do more to tangibly support employers of the Guard and Reserve and address their substantive concerns, including initiatives such as:

- Tax credits for employers who make up any pay differential for activated employees
- Tax credits to help small business owners hire temporary workers to fill in for activated employees
- Tax credits for small manufacturers to hire temporary workers

The Coalition urges the Subcommittee to use all possible influence with the Ways and Means Committee to support needed tax relief for employers of Selected Reserve personnel.

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. However, the Coalition believes significant inequities still remain that require the Subcommittee's immediate attention.

Concurrent Receipt – Disabled retirees are extremely grateful for this Subcommittee's action to ease the unfair retired pay loss that has disadvantaged disabled retirees for over a century. The concurrent receipt provisions enacted by Congress to date provided substantive relief for tens of thousands of disabled retirees; yet, an equal number are still excluded from the same principle that eliminates the disability offset for those with 50 percent or higher disabilities. The principle is the same for all disabled retirees, including those not covered by concurrent receipt relief enacted so far – they earned their retired pay through years of service and sacrifice, and should not be forced to forfeit their earned retired pay simply because they also suffered a service-connected disability.

The most severe inequity not yet addressed at all affects members who had their careers cut short by a combat-incurred or other service-caused disability and were forced into medical retirement before attaining 20 years of service. These retirees must fully fund their own VA disability compensation by giving up most or all of their military retired pay. It is impossible to explain to such a member why the government appears to award no compensation value for his or her service (perhaps as much as 19 years, 11 months).

Simply put, the imposition of a 20-year service requirement assumes a voluntary service continuation choice that simply does not exist in these cases.

The Coalition believes strongly that, when a member is forced to leave service short of 20 years because that very service caused him or her to become disabled, then the government has an obligation to "vest" that member's retirement credit for whatever service is rendered. For Chapter 61 (disability) retirees forced out short of 20 years, that vesting formula should be the same formula now set in concurrent receipt law for Chapter 61 retirees with more than 20 years' service – 2.5% times years of service times the applicable pay base.

In this regard, the Coalition strongly supports legislation introduced this year by Rep. Gus Bilirakis (R-FL) (HR 89 and HR 303), Rep. Jim Marshall, (D-GA) (HR 333), and Sen. Harry Reid (D-NV) (S 439).

The Coalition recognizes that the Veterans Disability Benefits Commission has an ongoing review in this area. But we believe these two inequities are so obvious as to require immediate redress.

The Coalition urges the Subcommittee to authorize full concurrent receipt of earned military retired pay and VA disability compensation at the earliest possible time, with particular priority for immediate "vesting" of earned military retired pay for Chapter 61 retirees forced into medical retirement before attaining 20 years of service and full, immediate concurrent receipt for retirees deemed "unemployable" by the VA.

Uniformed Services Retiree Entitlements and Benefits – The Coalition is concerned, but not surprised, by the recommendations of the Defense Advisory Committee on Military Compensation (DACMC) to modify the military retirement system to more closely reflect civilian practices, including vesting for members who leave service short of a career and delaying retired pay eligibility until age 60 for those who serve a career.

Many such proposals have been offered in the past, and have been discarded for good reasons. The only initiative to substantially curtail/delay military retired pay that was enacted – the 1986 REDUX plan – had to be repealed 13 years later after it began inhibiting retention.

The Coalition believes such initiatives to "civilianize" the military retirement system in ways that reduce the value of the current retirement system and undermine long-term retention are based on a seriously flawed premise. The reality is that unique military service conditions demand a unique retirement system. Surveys consistently show that the military retirement system is the single most powerful incentive to serve a full career under conditions few civilians would be willing to endure for even one year, much less 20 or 30. Such as system could only work if military service conditions were similar to civilian working conditions – which they most decidedly are not. The Coalition believes strongly that, if such a system as recommended by the DACMC had been in being for today's force under today's service conditions, the military services would already be mired in a deep and traumatic retention crisis.

We are aware that the DACMC recommendations will be reviewed by the 10th Quadrennial Review of Military Compensation.

The Coalition urges the Subcommittee to oppose initiatives to "civilianize" the military retirement system in ways that reduce the value of the current retirement system and undermine long-term retention.

Former Spouse Issues – The Military Coalition recommends corrective legislation be enacted to address long-standing inequities in the Uniformed Services Former Spouse Protection Act (USFSPA).

The Coalition supports the recommendations in the Defense Department's September 2001 report, which responded to a request from this committee for an assessment of USFSPA inequities and recommendations for improvement. We believe that, at a minimum, the Subcommittee should move forward on the reports' recommendations.

The Coalition urges the Subcommittee to move forward on initiatives to ease at least the most significant inequities under the USFSPA.

SURVIVOR ISSUES

The Coalition is grateful to the Subcommittee for recent improvements to the Survivor Benefit Plan (SBP), especially the phase-out of the age-62 annuity reduction and expansion of SBP coverage options for active duty deaths since 7 Oct 01.

But two serious SBP inequities still remain. The Coalition hopes that this year the Subcommittee will be able to support ending the SBP-DIC offset and accelerating by at least one year the effective date for paid-up SBP to October 1, 2007.

SBP-DIC Offset – The Coalition believes strongly that current law is unfair in reducing military Survivor Benefit Plan (SBP) annuities by the amount of any survivor benefits payable from the VA Dependency and Indemnity Compensation (DIC) program.

If the surviving spouse of a retiree who dies of a service-connected cause is entitled to DIC from the Department of Veterans Affairs and if the retiree was also enrolled in SBP, the surviving spouse's SBP benefits are reduced by the amount of DIC. A pro-rated share of SBP premiums is refunded to the widow upon the member's death in a lump sum, but with no interest. This offset also affects all survivors of members who are killed on active duty.

The Coalition believes SBP and DIC payments are paid for different reasons. SBP is purchased by the retiree and is intended to provide a portion of retired pay to the survivor. DIC is a special indemnity compensation paid to the survivor when a member's service causes his or her premature death. In such cases, the VA indemnity compensation should be added to the SBP the retiree paid for, not substituted for it. It should be noted as a matter of equity that surviving spouses of federal civilian retirees who are disabled veterans and die of military-service-connected causes can receive DIC without losing any of their federal civilian SBP benefits.

In the case of members killed on active duty on or after October 7, 2001, a surviving spouse who has children can temporarily avoid the dollar-for-dollar offset only by assigning SBP to the children. But that forces the spouse to give up any SBP claim after the children attain their majority – leaving the spouse with just a $1,067 monthly annuity from the VA. And that provision offers no relief at all to survivors of members who died before 10/7/01 or who have no children.

Unfortunately, some have a misconception that Congress "solved the SBP problem" by authorizing the recent lump sum increases in SGLI and the death gratuity. Nothing could be

further from the truth. In fact, 94% of the more than 61,000 survivors affected by the SBP/DIC got no benefit from those recent changes. That's because only 4,000 SBP/DIC –eligibles had sponsors who died on active duty since 10/7/01.

The vast majority of the affected survivors received far smaller payments – as little as $50,000 in SGLI or $3,000 as a death gratuity.

The Military Coalition urges the Subcommittee most strongly to take immediate action to provide relief for this most-aggrieved group of military widows, and pledges to work with the Subcommittee as needed to avoid another year with no progress at all toward this important goal.

30-Year Paid-Up SBP – Congress approved a provision in the FY 1999 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, 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 grant relief to 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 partial recognition of this problem, SBP premiums were reduced substantially in 1990, but these older members still 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.

The Coalition believes there is a way to provide substantive relief without incurring the mandatory spending problems that have stymied this initiative for so long, and pledges to work with the Subcommittee in hopes of finding a way forward.

The Coalition urges the Subcommittee to seize the opportunity to provide at least one year of relief for the "Greatest Generation" retirees who already have paid nearly 30% more SBP premiums than their successors ever will.

Final Retired Pay Check – The Military Coalition believes the policy requiring recovery of a deceased member's final retired pay check from his or her survivor should be changed to allow the survivor to keep the final month's retired pay payment.

Current regulations require the survivor to surrender the final month of retired pay, either by returning the outstanding paycheck or having a direct withdrawal recoupment from his or her bank account. A pro-rata share of the final month's pay is later restored to the survivor, proportional to the number of days in the final month before the member died.

The Coalition believes this is an extremely insensitive policy imposed by the government at a most traumatic time for a deceased member's next of kin. Unlike his or her active duty counterpart, the retiree will receive no death gratuity. Many older retirees do not have adequate insurance to provide even a moderate financial cushion for surviving spouses. Very often, the surviving spouse already has had to spend the final month's retired pay before being notified by the military finance center that it must be returned. Then, to receive the partial month's pay of the deceased retiree up to the date of death, the spouse must file a claim for settlement – an arduous and frustrating task, at best – and wait for the military's finance center to disburse the payment. Far too often, this strains the surviving spouse's ability to meet the immediate financial obligations commensurate with the death of the average family's "bread winner."

The Coalition urges the Subcommittee to end the insensitive practice of recouping the final month's retired pay from the survivor of a deceased retired member.

HEALTH CARE ISSUES

The Coalition very much appreciates the Subcommittee's strong and continuing interest in keeping health care commitments to military beneficiaries. We are particularly grateful for your support last year in refusing to allow the Department of Defense to implement disproportional beneficiary health fee increases and insisting on the establishment of a task force on the future of military medicine. The task force was directed to provide an objective review of the components of and reasons for military health cost growth, an evaluation of the Department's options and efforts to contain that growth within the existing fee structure, the appropriate level of cost-sharing between the government and beneficiaries, and the appropriate methods for any adjustments to that cost-sharing system.

The Coalition is more than willing to engage substantively in such discussions. In past years, the Coalition and the Defense Department have had regular and substantive dialogues that proved very productive in facilitating reasonably smooth implementation of such major program changes as TRICARE Prime and TRICARE for Life. The objective during those good-faith dialogues has been finding a balance between the needs of the Department and the needs of beneficiaries.

It is a great source of regret to the Coalition that there has been substantively less dialogue on the more recent fee increase initiatives. Beneficiary associations were kept in the dark last year until the proposed changes were delivered to Congress. Since that time, the Department has marginalized their discussions with the Military Coalition on these proposed initiatives.

From its actions, it is hard to draw any other conclusion than the Department's sole concern is to extract a specified amount of budget savings from beneficiaries. In part, the savings are intended to come from increased revenues from higher fees. But the vast majority of the savings are based on the assumption that the fee increases will deter hundreds of thousands of beneficiaries from using their earned military health benefits and Medical Treatment facility efficiencies.

To the extent the proposed changes don't achieve the projected savings – which both the Coalition and the Congressional Budget Office believe they will not – the inescapable inference of this budget-setting philosophy is that the Department would then seek further increases to whatever extent necessary to achieve the desired budget savings. As of October 1, 2007, DoD is

free to enact proposed cost saving initiatives not bound by legislative change. Current projected savings are based on DoD's the same as last year's proposals and the Task Forces' recommendations. The Coalition believes this is neither a realistic nor an appropriate basis for setting military benefit levels, and that taking that approach would undermine the whole purpose of providing military health benefits.

The unique package of military retirement benefits – of which a key component is a top-of-the-line health benefit – is the primary offset afforded uniformed service members for enduring a career of unique and extraordinary sacrifices that few Americans are willing to accept for one year, let alone 20 or 30. It is an unusual – and essential – compensation package that a grateful Nation provides for the relatively few who agree to subordinate their personal and family lives to protecting our national interests for so many years.

Full Funding for the Defense Health Program

The Coalition very much appreciates the Subcommittee's support for maintaining – and expanding where needed – the healthcare benefit for all military beneficiaries, consistent with the demands imposed upon them.

The Defense Department, Congress and The Military Coalition all have reason to be concerned about the rising cost of military health care. But it is important to recognize that the bulk of the problem is a national one, not a military-specific one. To a large extent, military health cost growth is a direct reflection of health care trends in the private sector.

It is true that many private sector employers are choosing to shift an ever-greater share of health costs to their employees and retirees. In the bottom-line-oriented corporate world, many firms see their employees as another form of capital, from which maximum utility is to be extracted at minimum cost, and those who quit are replaceable by similarly experienced new hires. But that can't be the culture in the military's closed personnel, all volunteer model, whose long-term effectiveness is utterly dependent on establishing a sense of mutual, long-term commitment between the service member and his/her country.

Some assert active duty personnel costs have increased 60% since 2001, of which a significant element is for compensation and health costs. But much of that cost increase is due to conscious decisions by Congress to correct previous shortfalls – including easing the double-digit military "pay gap" of that era and correcting the unconscionable situation before 2001 when military beneficiaries were summarily dropped from TRICARE coverage at age 65.

Meanwhile, the cost of basic equipment soldiers carry into battle (helmets, rifles, body armor) has increased 257% (more than tripled) from $7K to $25K since 1999. The cost of a humvee has increased seven-fold (600%) since 2001 (from $32K to $225K).

While we have an obligation to do our best to intelligently allocate these funds, the bottom line is that maintaining the most powerful military force in the world is expensive – and doubly so in wartime. The expectation is that we are budgeting for legitimate requirements.

It is for this reason that the Coalition objects strongly to the Administration's arbitrary reduction of the TRICARE budget submission by $1.9 billion, on the assumption that Congress will

approve beneficiary fee increases for FY2008 at least as large as those outlined in the second year of the TRICARE fee plan the Department recommended last year.

This is nearly triple the $735 million reduction tied to fee increases in last year's budget submission. The Coalition deplores this inappropriate budget "brinksmanship", which risks leaving TRICARE significantly under funded, especially in view of statements made last year by leaders of both Armed Services Committees that the Department's proposed fee increases were excessive.

The Coalition understands only too well the very significant challenge such a large and arbitrary budget reduction would pose for this Subcommittee if allowed to stand. If the $1.8 billion is not made up, the Department almost certainly will experience a substantial budget shortfall before the end of the year. This would then generate supplemental funding needs, further program cutbacks, and likely efforts to shift even more costs to beneficiaries in future years – all to the detriment of retention and readiness.

The Military Coalition strongly urges the Subcommittee to take all possible steps to restore the $1.8 billion in TRICARE-related budget authority and ensure continued full funding for Defense Health Program needs.

Protecting Beneficiaries Against Cost-Shifting

The Coalition is very grateful for the Subcommittee's insistence on a more comprehensive examination of military health care issues than embodied in last year's defense budget submission. We particularly appreciate your action to require appointment of a Task Force on the Future of Military Health Care.

While we were disappointed that the Secretary of Defense chose not to appoint an active representative of the Coalition to the Task Force, we have had discussions with members of that body and look forward to an opportunity to present the Coalition's views in person before the Task Force later in March.

But we are very concerned that the Defense Department's decision to cut the TRICARE budget by $1.9 billion on the assumption that the Task Force would recommend fee increases at least as large as those previously posed by the Department. This has had the effect of placing great pressure on the Task Force to do just that – whether they are disposed to do so or not.

People vs. Weapons – Defense officials have provided briefs to Congress indicating that the rising military health care costs are "impinging on other service programs." Other reports indicate that DoD leadership is seeking more funding for weapons programs by reducing the amount it spends on military health care and other personnel needs.

The Military Coalition continues to assert that such budget-driven trade-offs are misguided and inappropriate. Cutting people programs to fund weapons ignores the much larger funding problem, and only makes it worse.

The Coalition believes strongly that the proposed defense budget is too small to meet national defense needs. Today's defense budget (in wartime) is less than 4% of GDP, well short of the average for the peacetime years since WWII.

The Coalition believes strongly that America can afford to and must pay for both weapons and military health care.

Military vs. Civilian Cost-Sharing Measurement – Defense leaders assert that substantial military fee increases are needed to bring military beneficiary costs more in line with civilian practices. But merely contrasting military vs. civilian cash cost-shares is a grossly misleading, "apple-to-orange" comparison.

For all practical purposes, those who wear the uniform of their country are enrolled in a 20- to 30-year pre-payment plan that they must complete to earn lifetime health coverage. In this regard, military retirees and their families paid enormous "up-front" premiums for that coverage through their decades of service and sacrifice. Once that pre-payment is already rendered, the government cannot simply pretend it was never paid, and focus only on post-service cash payments.

The Department of Defense and the Nation – as good-faith employers of the trusting members from whom they demand such extraordinary commitment and sacrifice – have a reciprocal health care obligation to retired service members and their families and survivors that far exceeds any civilian employer's to its workers and retirees.

Large Retiree Fee Increases Can Only Hurt Retention – The reciprocal obligation of the government to maintain an extraordinary benefit package to offset the extraordinary sacrifices of career military members is a practical as well as moral obligation. Mid-career military losses can't be replaced like civilians can.

Eroding benefits for career service can only undermine long-term retention/readiness. Today's troops are very conscious of Congress' actions toward those who preceded them in service. One reason Congress enacted TRICARE For Life is that the Joint Chiefs of Staff at that time said that inadequate retiree health care was affecting attitudes among active duty troops.

The current Joint Chiefs have endorsed increasing TRICARE fees only because their political leaders have convinced them that this is the only way they can secure funding for weapons and other needs. The Military Coalition believes it is inappropriate to put the Joint Chiefs in the untenable position of being denied sufficient funding for current readiness needs if they don't agree to beneficiary benefit cuts.

Those who think retiree health care isn't a retention issue should recall a quote by the Chief of Naval Operations in the Navy Times last year:

> "More and more sailors are coming in married. They talk to me more about medical benefits than I ever thought to when I was in my mid-20s. I believe we've got the gold standard…for medical care right now, and that's a recruiting issue, a recruiting strength, and it's a retention strength."

That's more than backed up by two independent Coalition surveys. A Military Officers Association of America survey drew 40,000 responses last year, including more than 6,500 from active duty members. Over 92% in all categories of respondents opposed the DoD-proposed plan. There was virtually no difference between the responses of active duty members (96%

opposed) and retirees under 65 (97% opposed). A Fleet Reserve Association survey showed similar results.

Reducing military retirement benefits would be penny-wise and pound-foolish when recruiting is already a problem and an overstressed force is at increasing retention risk.

Proposed Increases Far Exceed Inflation Increases – The Administration's proposed increases are grossly out of line with TRICARE benefit levels originally enacted by Congress, even allowing for interim inflation since current fees were established. Based upon the proposed budget savings we assume the level of fee increases is based on DoD's proposal from last year.

If the $460 family Prime enrollment fee had been increased by the same Consumer Price Index (CPI) percentage increase as retired pay, it would be $612 for FY2008 – far less than $1,400 envisioned in the FY2008 budget.

If the $300 deductible for TRICARE Standard were CPI-adjusted for the same period, it would be $399 by 2008 – one-third the nearly $1,200 in annual deductible and new fees proposed by DoD in 2006.

Further, the Administration has proposed to make annual fee adjustments after FY2008, based on FEHBP medical inflation, which has been two to three times the inflation-based increase in members' retired pay. This would ensure that members' medical costs would consume an ever-larger share of their income with each passing year. The Coalition realizes that this has been happening to many private sector employees, but believes strongly that the government has a greater obligation to protect the interests of its military beneficiaries than private corporations feel for their employees.

Retirees Under 65 "Already Gave" 10% of Retired Pay – The large proposed health fee increases would impose a financial "double whammy" on retirees and survivors under age 65.

Any assertion that military retirees have been getting some kind of "free ride" because TRICARE fee have not been increased in recent years conveniently overlooks past government actions that have inflicted far larger financial penalties on every retiree and survivor under 65 – penalties that will grow every year for the rest of their lives.

That's because decades of past budget caps already depressed lifetime retired pay by an average of 10% for military members who retired between 1984 and 2006. For most of the 1980s and 1990s, military pay raises were capped below private sector pay growth, accumulating a 13.5% "pay gap" by 1998-99 – a gap which has been moderated since then but persists at 4% today.

Every member who has retired since 1984 – exactly the same under-65 retiree population targeted by the proposed TRICARE fee increases – has had his or her retired pay depressed by a percentage equal to the pay gap at the time of retirement. And that depressed pay will persist for the rest of their lives, with a proportional depression of Survivor Benefit Plan annuities for their survivors.

As a practical example, a member who retired in 1993 – when the pay gap was 11.5% – continues to suffer an 11.5% retired pay loss today. For an E-7 who retired in 1993 with 20 years of service, that means a loss of $2,000 this year and every year because the government

chose to cap his military pay below the average American's. An O-5 with 20 years of service loses more than $4,200 a year.

The government has spent almost a decade making incremental reductions in the pay gap for currently serving members, but it still hasn't made up the whole gap – and it certainly hasn't offered to make up those huge losses for members already retired. Under such circumstances, it strikes the Coalition as ironic that defense officials now propose, in effect, billing those same retirees for "back TRICARE fee increases".

TRICARE for Life (TFL) Trust Fund Accrual Deposit Is Dubious Excuse – Previous analysis by the Congressional Budget Office indicated that most of the growth in defense health spending (56%) was attributable to overall growth in national health care spending. The next largest contributor is beneficiary population growth (23%). Establishment of the accrual accounting methodology for the TFL trust fund (which doesn't affect current outlays) accounts for 18% of the DoD cost growth.

When the Defense Department began arguing three years ago that the trust fund deposit was impinging on other defense programs, the Coalition and the subcommittee agreed that that should not be allowed to happen. When the Administration refused to increase the budget top line to accommodate the statutorily mandated trust fund deposit, Congress changed the law to specify that the entire responsibility for TFL trust fund deposits should be transferred to the Treasury. Subsequently, Administration budget officials chose to find a way to continue charging that deposit against the defense budget anyway.

In the Coalition's view, this represents a conscious and inappropriate Administration decision to cap defense spending below the level needed to meet national security needs. If the Administration chooses to claim to Congress that its defense budget can't meet those other needs, then Congress (which directed implementation of TFL and the trust fund deposit) has an obligation to increase the budget as necessary to meet them.

Alternative Options to Make TRICARE More Cost-Efficient – The Coalition continues to believe strongly that the Defense Department has not sufficiently investigated other options to make TRICARE more cost-efficient without shifting costs to beneficiaries. Last year, the Coalition offered a list of alternative cost-saving possibilities, including.

- Promote retaining other health insurance by making TRICARE a true second-payer to other insurance (far cheaper to pay another insurance's copay than have the beneficiary migrate to TRICARE).
- Reduce or eliminate all mail-order co-payments to boost use of this lowest-cost venue.
- Do more to educate beneficiaries and providers about the advantages of mail-order pharmacy.
- Change electronic claim system to kick back errors in real time to help providers submit "clean" claims, reduce delays/multiple submissions.
- Negotiate with drug manufacturers for retail pharmacy discounts (the most costly venue), which DoD has failed to do, or change the law to mandate federal pricing for retail pharmacy network (rather than charging beneficiaries more if drug companies don't agree to federal pricing).
- Eliminate DoD-unique administrative requirements that drive higher overhead fees.

- Size and staff military treatment facilities (least costly care option) to reduce reliance on non-MTF civilian providers.
- Promote programs to offer special care management services to beneficiaries with chronic or unusually expensive conditions.
- Change the law to mandate federal pricing for the retail pharmacy network (rather than charging beneficiaries more if drug companies don't provide federal pricing).
- Establish one central DoD facility to order/fill all prescriptions for exceptionally high-cost drugs (AF model has been successful).
- Reduce long-term TRICARE Reserve Select costs by allowing members the option of a government subsidy (at a cost capped below TRS cost) of civilian employer premiums during periods of mobilization.
- Centralize the military treatment facility pharmacy budget/funding process, with emphasis on accountability and cost-shifting.

The Coalition attempted to partner with the Defense Department to investigate and jointly pursue these or other options that offer potential for reducing costs. Department leaders initially indicated an interest in at least some limited joint effort (particularly on educating beneficiaries on mail-order advantages, establishing a central DoD facility to handle high-cost drugs, and optimizing use of military facilities). Subsequently, to the Coalition's great frustration, they refused the offer to partner.

The Coalition appreciates that the Subcommittee has sought to pursue some of these initiatives, such as mandating that DoD develop and implement integrated disease and chronic care management programs.

Ironically, after the Defense Department initially endorsed mandating federal pricing for the retail pharmacy system, the Administration successfully lobbied congressional leaders to drop that initiative from the FY2007 Defense Authorization Act. In the Coalition's view, the Administration has significantly less standing to cite retirees as the cause of health cost growth when it actively opposes initiatives that would save hundreds of millions of dollars a year.

The Coalition also notes that the Defense Department has not complied with the FY2007 Defense Authorization Act conferees' expectation "that the Department of Defense will proceed, under current authority, to eliminate co-payments for generic drugs dispensed through the TRICARE national mail-order program, as a minimum."

TRICARE Still Has Significant Shortcomings – While DoD chooses to focus its attention on the cost of the TRICARE program to the government, the Coalition believes there is insufficient acknowledgement that thousands of providers and beneficiaries continue to experience significant problems with TRICARE. Beneficiaries at many locations, particularly those lacking large military populations, report difficulty in finding providers willing to participate in the program. Doctors complain about the program's low payments and administrative hassles. Withdrawal of providers from TRICARE networks at several locations has generated national publicity.

The Coalition urges the Subcommittee to require DoD to pursue greater efforts to improve TRICARE and find more effective and appropriate ways to make TRICARE more cost-efficient without seeking to "tax" beneficiaries and make unrealistic budget assumptions.

TMC Healthcare Cost Principles

The Military Coalition believes strongly that the current fee controversy is caused in part by the lack of any statutory record of the purpose of military health benefits and the degree to which cost adjustments are or should be allowable. Under current law, the Secretary of Defense has broad latitude to make administrative adjustments to fees for TRICARE Prime and the pharmacy systems. As a practical matter, the Armed Services Committees can threaten to change the law if they disapprove of the Secretary's initiatives. But absent such intervention, the Secretary can choose not to increase fees for years at a time or can choose to quadruple fees in one year.

Until recently, this was not a particular matter of concern, as no Secretary had previously proposed dramatic fee increases. With the past two years' precedents, the Coalition believes strongly that the Subcommittee needs to establish more specific and permanent principles, guidelines, and prohibitions to protect against dramatic administrative fluctuations in this most vital element of service members' career compensation incentive package.

Other major elements of the military compensation package have much more specific standards in permanent law. There is a formula for the initial amount of retired pay and for subsequent annual adjustments. Basic pay raises are tied to the Employment Cost Index, and housing and food allowances are tied to specific standards as well.

The Coalition most strongly recommends Rep. Chet Edwards' and Rep. Walter Jones' Military Retirees Health Care Protection Act (H.R. 579) and Sen. Frank Lautenberg's and Sen. Chuck Hagel's Military Health Care Protection Act (S. 604) as models to establish statutory findings, a sense of Congress on the purpose and principles of military health care benefits, and more explicit guidelines for and limitations on adjustments.

- ***Active duty members and families should be charged no fees except retail pharmacy co-payments, except to the extent they make the choice to participate in TRICARE Standard or use out-of-network providers under TRICARE Prime.***

- ***For retired and survivor beneficiaries, the percentage increase in fees, deductibles, and co-payments that may be considered in any year should not exceed the percentage increase beneficiaries experience in their compensation.***

- ***The TRICARE Standard copay should not be increased further for the foreseeable future. At $535 per day, it already far exceeds inpatient copays for virtually any private sector health plan.***

- ***There should be no enrollment fee for TRICARE Standard, since Standard does not offer assured access to TRICARE-participating providers. An enrollment fee implies enrollees will receive additional services, as Prime enrollees are guaranteed access to providers in return for their fee.***

- ***There should be one TRICARE fee schedule for all retired beneficiaries, just as all legislators, Defense leaders and other federal civilian grades have the same health fee schedule. The TRICARE schedule should be significantly lower than the lowest tier recommended by the Defense Department, recognizing that all retired members paid***

large up-front premiums for their coverage through decades of arduous service and sacrifice.

TRICARE Improvement Needs

TRICARE Standard Enrollment – The Department of Defense has proposed requiring beneficiaries to take an additional step of signing an explicit statement of enrollment in TRICARE Standard. That proposal is based on two main arguments – that enrollment is needed to define the population that will actually use the program and therefore to allow more accurate budgeting for program needs. The Coalition believes neither of these arguments stands up to scrutiny.

Department officials already know exactly which beneficiaries use TRICARE Standard. They have exhaustive records on what doctors they've seen and what medications they've used on what dates and for what conditions. They already assess trends in beneficiary usage and project the likely effect on those trends for current and future years – such as the effect of changes in private employer changes on the likely return of more beneficiaries to the TRICARE system.

The Defense Department does not have a good record on communicating policy changes to Standard beneficiaries. That means large numbers of beneficiaries won't get the word, or appreciate the full impact if they do get it. They have always been told that their eligibility is based on the DEERS system. A single, bulk-mail communication can't be expected to overwrite decades of experience.

Hard experience is that many thousands of beneficiaries would learn of the requirement only after their TRICARE Standard claims are rejected for failure to enroll. Some would involve cancer, auto accidents and other situations in which it would be unacceptable to deny claims because the beneficiary didn't understand an administrative rule change.

Inevitably, most beneficiaries receive and understand the implications of an enrollment requirement will enroll simply "to be safe" – even if their actual intent is to use VA or employer-provided coverage for primary care.

For all these reasons, establishing an enrollment requirement will neither better define the user population nor better define budget needs.

The Coalition believes the real intent of the enrollment proposal is simply to reduce TRICARE costs by rejecting payment for any claims by beneficiaries who fail to enroll.

To the extent any enrollment requirement may still be considered for TRICARE Standard, such enrollment should be automatic for any beneficiary who files a TRICARE claim. Establishing an enrollment requirement must not be allowed to become an excuse to deny claims for members who are unaware of the enrollment requirement. The Coalition looks forward to DoD's report on the subject due to Congress and the Healthcare Task Force in February 2007.

The Coalition recommends strongly against establishment of any TRICARE Standard enrollment system; to the extent enrollment may be required, any beneficiary filing a claim should be enrolled automatically, without denying the claim.

Private Employer Incentive Restrictions – Current law, effective January 2008, will bar private employers from offering incentives to TRICARE-eligible employees to take TRICARE in lieu of employer-sponsored plans. This law is well-intended, but inadvertently imposes unfair penalties on many employees of companies that are not, in fact, attempting to shift costs to TRICARE.

The Armed Services Committees have tasked the Secretary of Defense for a report on the issue, which may not protect current beneficiaries and, even with a favorable response, in no way restricts future Secretaries of Defense who may impose a strict interpretation of the law.

The Coalition recommends Congress modify the law restricting private employer TRICARE incentives to explicitly exempt employers who offer only cafeteria plans (i.e., cash payments to all employees to purchase care as they wish) and employers who extend cash payments (e.g., $100 per month) to any employee who uses health coverage other than the employer plan (e.g., FEHBP, TRICARE, or commercial insurance available through a spouse or previous employer).

TRICARE Standard Improvements – The Coalition very much appreciates the Subcommittee's continuing interest in the specific problems unique to TRICARE Standard beneficiaries. In particular, we applaud your efforts to expand TRICARE Standard provider surveys and establish Standard support responsibilities for TRICARE Regional Offices. These are needed initiatives that should help make it a more effective program. We remain concerned, however, that more remains to be done. TRICARE Standard beneficiaries need assistance in finding a provider that can provide healthcare services within a reasonable time and distance from their home. This will become increasingly important with the expansion of TRICARE Reserve Select, as these individuals are most likely not living within a Prime Service Area.

Provider Participation Adequacy – The provider surveys are a first step and should provide a wealth of additional information. The question is what use will be made of the information.

The Coalition is concerned that DoD has not established any standard for the adequacy of provider participation. Participation by half of the providers in a locality may suffice if there is not a large Standard beneficiary population. The Coalition would prefer to see an objective participation standard (perhaps number of beneficiaries per provider) that would help shed more light on which locations have participation shortfalls of Primary Care Managers and Specialists that require positive action.

We are also concerned about whether the Standard surveys actually measure what they purport to measure. In particular, we are perplexed that DoD survey results for some locations do not conform to (admittedly anecdotal) inputs that beneficiary associations have received from some of the same localities. Coalition discussions with those who processed the surveys yielded acknowledgements that health care providers may give different answers to the surveyors than they give to beneficiaries – if only because the beneficiaries may ask different questions of them than the survey-takers do. The Coalition believes it would be useful and appropriate to conduct independent surveys of TRICARE Standard beneficiaries, so that beneficiary inputs could be correlated with provider inputs for a given area.

The Coalition urges the Subcommittee to establish requirements for TRICARE Standard beneficiary surveys and a definition of what level of provider participation shall be deemed to require positive action to increase it.

Administrative Deterrents to Provider Participation – The Coalition is pleased that Congress has directed DoD to modify current claims procedures to be identical to those of Medicare. We look forward to implementation with the next generation of Managed Care Support Contracts. Feedback from providers indicates TRICARE imposes additional administrative requirements on providers that are not required by Medicare or other insurance plans. On the average, about 50 percent of a provider's panel is Medicare patients, whereas only 2 percent are TRICARE beneficiaries. Providers are unwilling to incur additional administrative expenses that affect only a small number of patients. Thus, providers are far more prone to non-participation in TRICARE than in Medicare.

One problem is that TRICARE requires that each provider be identified by each physical location where he or she performs services. If a clinic has 50 providers that have privileges at 10 different addresses in a clinic group, TRICARE requires 500 unique provider numbers. Medicare and most commercial insurers are moving to embrace a National Provider Indicator. TRICARE has been reluctant to change because of concerns for identifying fraud, but Medicare has been successful in fraud identification using one unique provider identification number.

Another problem is that, TRICARE still requires submission of a paper claim to determine medical necessity on a wide variety of claims for Standard beneficiaries. This thwarts efforts to encourage electronic claim submission and increases provider administrative expenses and delays receipt of payments. Examples include speech therapy, occupational/physical therapy, land or air ambulance service, use of an assistant surgeon, nutritional therapy, transplants, durable medical equipment, and pastoral counseling.

Another source of claims hassles and payment delays involve cases of third party liability (e.g., auto insurance health coverage for injuries incurred in auto accidents). Currently, TRICARE requires claims to be delayed pending receipt of a third-party-liability form from the beneficiary. This often delays payments for weeks and can result in denial of the claim (and non-payment to the provider) if the beneficiary doesn't get the form in on time. Recently, a major TRICARE claims processing contractor recommended that these claims should be processed regardless of diagnosis and that the third-party-liability questionnaire should be sent out after the claim is processed to eliminate protracted inconvenience to the provider of service.

The Coalition urges the Subcommittee to continue its efforts to reduce administrative impediments that deter providers from accepting TRICARE patients.

TRICARE Reimbursement Rates – Physicians consistently report that TRICARE is virtually the lowest-paying insurance plan in America. Other national plans typically pay one-quarter to one-third higher rates. In some cases the difference is even higher.

While TRICARE rates are tied to Medicare rates, TRICARE Managed Care Support Contractors make concerted efforts to persuade providers to participate in TRICARE Prime networks at a further discounted rate. Since this is the only information providers receive about TRICARE, they see TRICARE as lower-paying than Medicare.

This is exacerbated by annual threats of further reductions in TRICARE rates due to the statutory Medicare rate-setting formula. Doctors are unhappy enough about reductions in Medicare rates, and many already are reducing the number of Medicare patients they see.

But the problem is far more severe with TRICARE, because TRICARE patients typically comprise a small minority of their beneficiary caseload. Physicians may not be able to afford turning away large numbers of Medicare patients, but they're more than willing to turn away a small number of patients who have low-paying, high-administrative-hassle TRICARE coverage.

Congress has acted to avoid Medicare physician reimbursement cuts for the last four years, but the failure to provide a payment increase for 2006 and 2007 is another step in the wrong direction according to physicians. Further, Congress still has a long way to go in order to fix the underlying reimbursement determination formula.

Correcting the statutory formula for Medicare and TRICARE physician payments to more closely link adjustments to changes in actual practice costs and resist payment reductions is a primary and essential step. We fully understand that is not within the purview of this Subcommittee, but we urge your assistance in pressing the Ways and Means and Finance Committees for action.

In the meantime, the rate freeze for 2006 and 2007 makes it even more urgent to consider some locality-based relief in TRICARE payment rates, given that doctors see TRICARE as even less attractive than Medicare. Additionally, the Medicare pay package that was enacted in Public Law 109-432 included a provision for Doctors to receive a 1.5 percent bonus next year if they report a basic set of quality-of-care measures. The TRICARE for Life beneficiaries should not be affected as their claims are submitted directly to Medicare and should be included in the physicians' quality data. For those under age 65 TRICARE Standard users this could present a major problem. If no such bonus payment is made for TRICARE Standard patients then TRICARE will definitely be the lowest payer in the country and access could be severely decreased.

The Department must ensure physicians have the same incentive to see Standard patients as Medicare.

The TRICARE Management Activity has the authority to increase the reimbursement rates when there is a provider shortage or extremely low reimbursement rate for a specialty in a certain area and providers are not willing to accept the low rates. In some cases a state Medicaid reimbursement for a similar service is higher than that of TRICARE. To date, this authority has been used only in Alaska. One concern, as mentioned previously, is that the Department has been reluctant to establish a standard for adequacy of participation.

There are specialties that do not fall cleanly within the Medicare reimbursement rates. Obstetrical and pediatric services have been a constant source of aggravation for military beneficiaries and the Managed Care Support Contractors. We applaud Congress' requirement for a Comptroller General report on obstetrical and pediatric reimbursement levels to ensure the adequacy of a quality network. We look forward to its findings and in the meantime encourage DoD to make full use of its authority to set higher rates for these specialties.

The Coalition urges the Subcommittee to exert what influence it can to persuade the Ways and Means/Finance Committees to reform Medicare/TRICARE statutory payment formula. To the extent the Medicare rate freeze continues, we urge the Subcommittee to encourage the Defense Department to use its reimbursement rate adjustment authority as needed to sustain provider acceptance.

The Coalition urges the Subcommittee to require a Comptroller General report on the relative propensity of physicians to participate in Medicare vs. TRICARE, and the likely effect on such relative participation of a further freeze in Medicare/TRICARE physician payments along with the affect of an absence of bonus payments.

Minimize Medicare/TRICARE Coverage Differences – DoD submitted a report to Congress last year indicating the coverage differences between Medicare and TRICARE. The report showed that there are at least a few services covered by Medicare that are not covered by TRICARE. These include an initial physical at age 65, chiropractic coverage, respite care, and certain hearing tests. We believe TRICARE coverage should at least equal Medicare's in every area. Our military retirees have made sacrifices far and above those who have not served and deserve no less coverage than is provided to other federal beneficiaries.

The Coalition urges the Subcommittee to align TRICARE coverage to at least match that offered by Medicare in every area.

National Guard and Reserve Healthcare

The Coalition is grateful to the Subcommittee for its leadership last year in extending lower-cost TRICARE eligibility to all drilling National Guard and Reserve members. This was a major step in acknowledging that the vastly increased demands being placed on Selected Reserve members and families needs to be addressed with adjustments to their military compensation package.

While the Subcommittee has worked hard to address the primary health care hurdle, there are still some areas that warrant attention.

Setting the TRICARE Reserve Select (TRS) Premium – The Coalition believes the premium-setting process for this important benefit needs to be improved. Currently, the Defense Department adjusts TRS premiums based on annual adjustments to the basic FEHBP insurance option. This adjustment mechanism has no relationship either to the Department's military health care costs or to increases in eligible members' compensation.

The Coalition believes we have a higher obligation to restrain health cost increases for Selected Reserve members who are periodically being asked to leave their families and lay their lives on the line for their country. These members deserve better than having their health premiums raised arbitrarily by a formula that has no real relationship to them. The 8% TRS fee increase already imposed last year represents a percentage increase equivalent to several years' worth of basic pay increases.

As a matter of principle, the Coalition believes that TRS premiums should not be increased in any year by a percentage that exceeds the percentage increase in basic pay. In this regard, the Coalition believes there should be no further increase in the TRS fee at least until the cumulative basic pay increase, beginning with the FY06 across the board pay raise, has exceeded 8%.

The Coalition also is concerned that members and families enrolled in TRS are not guaranteed access to TRICARE-participating providers. As indicated earlier in this testimony, the Coalition believes that members who are charged a fee for their health coverage should be able to expect assured access, and hopes the Subcommittee will explore options for assuring such access for TRS enrollees.

The Coalition recommends that the percentage increase in TRS premiums should not exceed the percentage increase in military basic pay, and that there should be no increases for at least two years in light of the 8% increase imposed in 2006. The Coalition further recommends that the Subcommittee request a report from the Department of Defense on options to assure TRS enrollees' access to TRICARE-participating providers.

Private Insurance Premium Option – The Coalition believes Congress is missing an opportunity to reduce long-term health care costs by failing to authorize eligible members the option of electing a partial subsidy of their civilian insurance premiums during periods of mobilization. Current law already authorizes payment of up to 24 months of FEHBP premiums for mobilized members who are civilian employees of the Defense Department.

We appreciate Congress' action in requiring a GAO review of this issue and look forward to the report due in April 2007.

We hope that report will address not only the current wartime situation, but the longer-term peacetime scenario. Over the long term, when Guard and Reserve mobilizations can be expected at a considerably lower pace, the Coalition believes subsidy of employer coverage during mobilizations periods offers considerable savings opportunity.

In fact, the Department could calculate a maximum monthly subsidy level that would represent a cost savings to the government, so that each member who elected that option would reduce TRICARE costs.

The Coalition recommends developing a cost-effective option to have DoD subsidize premiums for member's private insurance as an alternative to TRICARE Reserve Select coverage.

Involuntary Separatees – The Coalition believes it is unfair to deny TRS coverage for Individual Ready Reserve (IRR) members who have returned from deployment or terminate coverage for returning members who are involuntarily separated from the Selected Reserve (other than for cause).

The Coalition recommends authorizing one year of post-TAMP TRS coverage for every 90 days deployed in the case of returning members of the IRR or members who are involuntarily separated from the Selected Reserve. The Coalition further recommends that voluntarily separating Reservists subject to disenrollment from TRS should be eligible for participation in the Continued Health Care Benefits Program (CHCBP).

Gray Area Reservists – The Coalition is sensitive that Selected Reserve members and families have one remaining "hole" in their military health coverage. They are eligible for TRS while currently serving in the Selected Reserve, then lose coverage while in "Gray area" retiree status, then regain full TRICARE eligibility at age 60.

The Coalition believes some provisions should be made to allow such members to continue their TRICARE coverage in gray area status. Otherwise, we place some members at risk of losing family health coverage entirely when they retire from the Selected Reserve. We understand that such coverage would have to come with a higher premium.

The Coalition urges the Subcommittee to authorize an additional premium-based option under which members entering "gray area" retiree status would be able to avoid losing health coverage.

Reserve Dental Coverage – The Coalition remains concerned about the dental readiness of the Reserve forces. Once these members leave active duty, the challenge increases substantially, so the Coalition believes the services should at least facilitate correction of dental readiness issues identified while on active duty. DoD should be fiscally responsible for dental care to Reservists to ensure service members meet dental readiness standards when DoD facilities are not available within a 50 mile radius of the members' home for at least 90 days prior and 180 days post mobilization.

The Coalition supports providing dental coverage to Reservists for 90 days pre and 180 days post mobilization (during TAMP), unless the individual's dental readiness is restored to T-2 condition before demobilization.

Consistent Benefit

As time progresses and external changes occur, we are made aware of pockets of individuals who for one reason or another are denied the benefits that they should be eligible for. DoD and all its health contractors were leaders in modifying policy and procedures to assist Katrina victims. Additionally, Congress' action to extend eligibility for TRICARE Prime coverage to children of deceased active duty members was truly the right thing to do.

Restoration of TRICARE for Widows – One group of individuals that has earned the TRICARE benefit is now being closed out and needs to be brought back into the fold. When a TRICARE-eligible widow/widower remarries, he/she loses TRICARE benefits. When that individual's second marriage ends in death or divorce, the individual has eligibility restored for military ID card benefits, including SBP coverage, commissary/exchange privileges, etc. – with the sole exception that TRICARE eligibility is not restored.

This is out of line with other federal health program practices, such as the restoration of CHAMPVA eligibility for survivors of veterans who died of service-connected causes. In those cases, VA survivor benefits and health care are restored upon termination of the remarriage.

Military survivors deserve equal treatment.

The Coalition recommends restoration of TRICARE benefits to previously eligible survivors whose second or subsequent marriage ends in death or divorce.

TRICARE Prime Remote exceptions – We thank Congress for the FY2006 Defense Authorization Act provision allowing the Secretaries to waive the requirement for the spouse to reside with the service member for purposes of TRICARE Prime Remote eligibility if the service

determines special circumstances warrant such coverage. We remain concerned about the potential for inconsistent application of eligibility.

With longer deployments and sea/shore and overseas assignment patterns families are faced with some tough decisions. A spouse and children may find it easier and more supportive to reside with or around relatives during extended separations from their Active Duty spouse. The special authority is a step in the right direction, but there is a wide variety of circumstances that could dictate a family separation of some duration, and the Coalition believes each family is in the best situation to make its own decision.

The Coalition recommends removal of the requirement for the family members to reside with the active duty member to qualify for the TRICARE Prime Remote Program.

BRAC, Re-Basing, and Relocation – Relocation from one geographic region to another brings multiple problems. A smooth health care transition is crucial to a successful relocation. And that means ensuring a robust provider network and capacity is available as long as members and families remain in either losing or gaining locations affected by BRAC and Global Re-basing. A major effort is essential by the Department and its Managed Care Support Contractors to ensure smooth beneficiary transition from one geographic area to another.

It also is important to sustain Prime networks at closing locations to protect health care access for Guard/Reserve and retired members and families remaining in the area. We stress the importance of coordination of construction and funding in order to maintain access and operations while the process takes place.

The Coalition recommends codifying the requirement to provide TRICARE Prime in BRAC-affected areas and ensuring, via a report from DoD, that adequate health resources are available to provide care within access standards for those affected by re-basing plans.

Mental Health

We sincerely appreciate the continued effort the Subcommittee made in the 2007 National Defense Authorization Act to address the issues of the mental health of service members and their families. The additional elements of assessment provided the Task Force on Mental Health will further articulate the best recommendations to improve current policies and identify best practices in the treatment of mental health disorders. We look forward to the task force report to Congress due in May and pledge to partner with DoD as appropriate.

Our deepest concern in this area remains Post Traumatic Stress Disorder (PTSD) prevention, identification and treatment. We are impressed and gratified by the scope of efforts to deal with this issue by the development and implementation of an additional Post deployment survey and provider examination 3 to 6 months after returning from theater, partnership between DoD and VA. But the results of good intentions and great efforts can be undermined if they are not governed by a systemic, coordinated approach by DoD and the VA.

We believe that the magnitude of the problem may well be greater than current statistics indicate. The cultures of the respective armed forces tend to cause a reluctance to report symptoms and seek help, because doing so is perceived among some leaders and peers to be a weakness in

terms of the warrior ethic. This unfortunate and counterproductive view is most prevalent among those who carry the brunt of the fight and live in harm's way consistently.

Education of service members, their organizational leadership, and family members is essential to remove the sense of stigma, to recognize symptoms and to acquire coping skills to deal with combat related stress before it advances to a permanent life threatening disorder.

One key issue is that the multiple ongoing initiatives among the components have varying approaches that increase the possibility of losing service members in need of treatment through the proverbial "crack" as they transition from the combat zone to home or civilian status.

The trauma each service member experienced in war zones will be with them as long as they live. Army Chief of Staff Peter Schoomaker and Marine Commandant James Conway recently told Congress that the pressures and stresses on service members and their families are intensifying, not easing. This directly affects members' and families' ability to work, cope, and succeed in all aspects of their lives.

The Coalition believes we need standardized pre- and post-deployment mental health screening instruments that are reliable and valid to ensure service members and their families in need of mental health care are referred to and receive appropriate interventional services.

We must train and sustain more trained mental health professionals with the special skills needed to work through the range of mild to severe PTSD veterans who experience being shot at, seeing bodies or human remains, have been attacked or ambushed, had someone in their unit killed or seriously injured, or have seen women and children they were unable to help. Each of these experiences is a searing wound to the psyche. It cannot be left untended.

We must recognize that many cases will require longer-term treatment and services.

Without a congruent and overarching strategic plan involving integrated organizational leadership across DoD and VA health care spectrums nothing will occur in the effective diagnosis and treatment of mental health conditions.

The Coalition strongly recommends requiring DoD and the VA to work in concert to ensure a unified strategy to address PTSD and other mental health problems, providing consistent guidance, coordination of efforts, and cross-feed of results of segmented studies, task forces and programs that are currently underway among military services and the two departments.

Pharmacy

The TRICARE Pharmacy benefit must remain strong to meet the pharmaceutical needs of millions of military beneficiaries. While we are pleased at the overall operation of the program, the Coalition does have concerns about certain apparent trends.

Pharmacy Co-payment Changes – The Coalition thanks the Subcommittee for freezing pharmacy co-payments for FY07. The Coalition believes strongly that uniformed services beneficiaries deserve more stability in their benefit levels, and that DoD has not performed due diligence in exploring other ways to reduce pharmacy costs without shifting such increased expense burdens to beneficiaries.

In fact, the Department has rejected Coalition offers to work jointly in developing a coordinated plan to educate beneficiaries on savings possibilities and motivate them to use the TRICARE mail-order pharmacy (TMOP) rather than the more expensive retail system. As noted above, the Administration has actively opposed at least one major initiative that would have reduced retail pharmacy costs by several hundred million dollars a year.

For several years in a row, Congress rightfully has rejected Administration proposals to double VA pharmacy co-payments for certain categories of non-disabled veterans. The Chairman of the House Budget Committee has asserted that a similar proposal for FY2008 will be rejected as well. This year, the VA increased co-payments by $1 for those categories, a much more reasonable adjustment that would not have happened without Congressional intervention. Military beneficiaries deserve no less protection.

One important consideration in the mail-order-vs.-retail discussion is that some medications are simply not available through the TMOP.

The Coalition recommends no increases to the co-payment rates until all medications are available in the mail order program. The Coalition further recommends that the percentage of any future pharmacy co-payment increase should be limited to the percentage increase in retired pay since the last co-payment increase, rounded down to the next lower dollar.

Mail-Order Pharmacy – To date, DoD has not complied with the Armed Services Committees' expectation that DoD would eliminate the co-payment for generic drugs received through the TRICARE Mail Order Program. The Department has ignored what the Coalition believes would create the most powerful incentive for beneficiaries to shift from the more costly retail program to the mail order program – eliminating mail-order copays. While modest already, mail-order co-payments entail considerable processing expense for the contractor and DoD. For generics, the processing expense approaches the value of the co-payment.

Marketers know that offering something for free is a powerful economic incentive. The Coalition believes that eliminating mail-order co-payments for all mail-order drugs would send a strong economic and educational message to beneficiaries on the advantages of the mail-order system, and that the government would realize very large savings from this change.

The average of the 50 highest cost drugs purchased in the mail-order system saves the government $175 per prescription relative to providing the drug through the retail system. If all mail-order co-payments would be eliminated, the savings for these 50 high cost drugs would still be at least $166 per prescription (in fact, savings would be larger, since the government would no longer pay contractors to process co-payments). Elimination of mail-order copays should save the government $20 million for each 1% of prescriptions that migrate from the retail to the mail-order pharmacy system.

The Coalition recommends eliminating beneficiary co-payments in the mail-order pharmacy system for generic and preferred brand name medications to incentivize use of this lowest-cost venue and generate substantial cost savings.

Rapid Expansion of "Third Tier" Formulary – The Coalition very much appreciated the efforts of the Subcommittee to protect beneficiary interests by establishing a statutory

requirement for a Beneficiary Advisory Panel (BAP) to give beneficiary representatives an opportunity in a public forum to voice our concerns about any medications DoD proposes moving to the third tier ($22 co-pay). We were further reassured when, during implementation planning, Defense officials advised the BAP that they did not plan on moving many medications to the third tier.

Unfortunately, this has not been the case. To date, DoD has moved over 55 medications to the third tier. While the BAP did not object to most of these, the BAP input has been universally ignored in the small number of cases when it recommended against a proposed reclassification. The Coalition is also concerned that the BAP has been denied access to information on relative costs of the drugs proposed for reclassification and the Defense Department has established no mechanism to provide feedback to the BAP on why its recommendations are being ignored.

The Coalition believes the Subcommittee envisioned that the BAP would be allowed substantive input in the Uniform Formulary decision process, but that has not happened.

The Coalition urges the Subcommittee to monitor DoD's consideration of Beneficiary Advisory Panel input in future Uniform Formulary decisions and reassert its intent that the Panel should have a substantive role in the process, including access to meaningful data on relative drug costs in each affected class.

Drug Therapy – The Coalition believes DoD should take full advantage of the benefits of drug therapy as a means of cutting long-term health care costs and more expensive treatment methods. Actions taken on the Uniform Formulary should focus on these potential long term savings. Chronic disease management coupled with appropriate drug therapy lower costs in the long run, and multiple drug therapies should be evaluated for appropriateness in disease management and patient safety.

TRICARE Prime and MCSC Issues

DoD and its health contractors are continually trying to improve the level of TRICARE Prime service. We appreciate their inclusion of our associations in their process improvement activities and will continue to partner with them to ensure the program remains beneficiary-focused and services are enhanced, to include: beneficiary education, network stability, service level quality, uniformity of benefit between regions (as contractors implement best business practices), and access to care.

Referral and Authorization System – There has been much discussion and consternation concerning the Enterprise Wide Referral and Authorization (EWRAS) system. Much time, effort and money have been invested in a program that has not come to fruition. Is adding to the administrative paperwork requirements and forcing the civilian network providers into a referral system really accomplishing what DoD set out to do? Rather than forcing unique referral requirements on providers, perhaps DoD should look at expanding its Primary care base in the Prime Service Areas and capture the workload directly.

The Coalition recommends that Congress require a cost analysis report concerning the referral process within DoD and reliance on Civilian Network Providers within an MTF's Prime Service Area.

DoD/VA Health Care

For decades, there has been strong congressional interest on improving the DoD and VA relationship to gain greater efficiency in the services provided to beneficiaries of each system. Today, Congress is focusing even more attention on the need to improve the transition process for returning war veterans.

While both departments are making sincere efforts, the results still fall far short of the current and rapidly growing OEF/OIF need. The same concerns that were highlighted in previous year's testimony remain issues today – but with an even more pressing urgency as backlogs continue to rise.

Congress and TMC agree that our Nation's servicemen and women have earned first class health care, during and following separation from the military. DoD and VA have critical, complementary roles in that transition process.

Unfortunately, the pace of the two departments' collaborative efforts has been slowed by bureaucratic and parochial barriers as they struggle to bridge the gap between the departments. Time and again, progress continues to be stymied despite senior leaders' statements on expedited improvement efforts. Four years into a major war, the hand-off between the departments for those with the greatest need is still hardly "seamless."

The Coalition believes the basic problem is one of bureaucratic stove piping in each department. While each is making efforts to cooperate, there is no joint activity whose primary mission is to plan and execute the seamless transition strategy and exercise leadership from a single point of origin. There's a DoD effort and a VA effort, but no true joint synchronized effort.

On the plus side, the VA has established an office for seamless transition and it is a catalyst in VA's outreach efforts, focused on providing our service members a smooth transition. However, without DoD as an integral partner in this effort, options for success remain stunted.

The Coalition believes it is essential to establish a joint or federal transition office, to which DoD and VA personnel are permanently assigned to work together to provide oversight, direction and implementation of the Joint Executive Council's strategic plan. This office's responsibilities should include:

Joint In-Patient Electronic Health Record – We applaud DoD and VA leaders for making a firm commitment to accomplish this long awaited initiative, one that both Congress and TMC have been seeking for years. A reality by 2012 is too long to wait. Congress must press DoD and VA to speed delivery of an interoperable, bi-directional and standards based electronic medical record. We must see concrete timelines and milestones for action. This medical record is a key goal to ensure we meet seamless transition requirements for wounded moving from DoD care into VA care.

Joint DoD/VA Physical – A "one stop" separation physical supported by an electronic separation document (DD214) is a cost saving initiative that once again feeds into the seamless transition model. Although it has been accomplished in some DoD facilities it has yet to be an accepted practice throughout the two departments. The Coalition once again recommends continued oversight by the Committees to ensure that this important program be implemented

promptly and effectively at all sites. It should become the "gold standard" of effective and efficient transitions.

Special Needs Health Care – Polytrauma Rehabilitation Centers were established to meet the specialized clinical care needs of polytrauma patients. They provide comprehensive inpatient rehabilitation services for individuals with complex cognitive, physical and mental health sequelae of severe disabling trauma. These centers require special oversight in order to ensure the required resources are available to include specialized staff, technical equipment and adequate bed space. This oversight should be a joint effort since it provides a significant piece of the health care continuum for severely injured service members.

Traumatic Brain Injury (TBI) – TBI is the signature injury of OIF/OEF, its impact range from mild to severe. Recognizing the severity of brain injury and developing effective evidence based practices for its diagnosis and treatment is necessary to include research on the long-term consequences of mild TBI. The goal of achieving optimal function of each individual TBI patient requires improved interagency coordination between DoD and VA. Service members should be afforded the best rehabilitation services available and the opportunity to achieve maximum activities of daily living so they can reenter either active duty, become a productive member of society, or at a minimum achieve stability of their activities of daily living in order to function in an appropriate setting.

Access to Care – Lack of timely access to care in VA facilities has been a constant refrain for years. In response HR 92 has been proposed that will establish timely access standards. However, the reality is without additional assets and a coordinated plan with DoD to facilitate a seamless transition little will change to help returning service members ability to access VA health care.

Joint Research – Combined Research Initiatives would further enhance the partnership between VA and DoD. Since many of the concerns are shared research crosses agency lines and once again collaboration of effort should enable research dollars to go much further. Furthermore, research must be performed jointly and results shared among all branches of military service and other practicing healthcare professionals to ensure timely integration of these findings in the diagnosis and treatment of TBI patients.

The Military Coalition recommends that Congress mandate a single Joint Transition Office, permanently staffed with personnel from both VA and DoD and having primary responsibility for top-down planning and execution of all "seamless transition" initiatives, including a joint in-patient electronic health record; joint DoD/VA physical; traumatic brain injury, PTSD, and special needs care; coordinated access to care (including long-term support services), and joint research.

Health-Related Tax Law Changes

The Coalition understands fully that tax law changes are not within the Subcommittee's jurisdiction. However, there are numerous military-specific tax-related problems that are unlikely to be addressed without the Subcommittee's active advocacy and intervention with members and leaders of the Ways and Means Committee.

Many uniformed services beneficiaries pay annual enrollment fees for TRICARE Prime, TRICARE Reserve Select, and premiums for supplemental health insurance, such as a TRICARE supplement, the TRICARE Dental and Retiree Dental Plans, or for long-term care insurance. For most military beneficiaries, these premiums are not tax-deductible because their annual out-of-pocket costs for healthcare expenses do not exceed 7.5% of their adjusted gross taxable income.

In 2000, a Presidential directive allowed Federal employees who participate in FEHBP to have premiums for that program deducted from their pay on a pre-tax basis. Similar legislation for all active, reserve, and retired military and federal civilian beneficiaries would restore equity with private sector workers, many of whom already can pay their health premiums with pre-tax dollars. Tax incentives will help offset the cost of these important coverages, promote enrollment, and reduce members' liability for catastrophic expenses.

The Coalition urges all Armed Services Committee members to seek the support of the Ways and Means and Finance Committees to approve legislation to allow all beneficiaries to pay TRICARE-related insurance premiums in pre-tax dollars, to include TRICARE dental premiums, TRICARE Reserve Select premiums, TRICARE Prime enrollment fees, premiums for TRICARE Standard supplements, and long-term care insurance premiums.

CONCLUSION

The Military Coalition reiterates its profound gratitude for the extraordinary progress this Subcommittee has made in advancing a wide range of personnel and health care initiatives for all uniformed services personnel and their families and survivors. The Coalition is eager to work with the Subcommittee in pursuit of the goals outlined in our testimony. Thank you very much for the opportunity to present the Coalition's views on these critically important topics.

Colonel Steven P. Strobridge, USAF (Retired)
Director, Government Relations, Military Officers Association of America (MOAA); and Co-Chairman, The Military Coalition

Steven P. Strobridge, a native of Vermont, is a 1969 graduate from Syracuse University. Commissioned through ROTC, he was called to active duty in October 1969.

After several assignments as a personnel officer and commander in Texas, Thailand, and North Carolina, he was assigned to the Pentagon from 1977 to 1981 as a compensation and legislation analyst at Headquarters USAF. While in this position, he researched and developed legislation on military pay, health care, retirement and survivor benefits issues.

In 1981, he attended the Armed Forces Staff College in Norfolk, VA, en route to a January 1982 transfer to Ramstein AB, Germany. Following assignments as Chief, Officer Assignments and Assistant for Senior Officer Management at HQ, U.S. Air Forces in Europe, he was selected to attend the National War College at Fort McNair, DC in 1985.

Transferred to the Office of the Secretary of Defense upon graduation in June 1986, he served as Deputy Director and then as Director, Officer and Enlisted Personnel Management. In this position, he was responsible for establishing DoD policy on military personnel promotions, utilization, retention, separation and retirement.

In June 1989, he returned to Headquarters USAF as Chief of the Entitlements Division, assuming responsibility for Air Force policy on all matters involving pay and entitlements, including the military retirement system and survivor benefits, and all legislative matters affecting active and retired military members and families.

He retired from that position on January 1, 1994 to become MOAA's Deputy Director for Government Relations.

In March 2001, he was appointed as MOAA's Director of Government Relations and also was elected Co-Chairman of The Military Coalition, an influential consortium of 35 military and veterans associations.

Joseph L. Barnes
National Executive Secretary, FRA; and
Co-Chairman, The Military Coalition

Joseph L. (Joe) Barnes was selected to serve as the Fleet Reserve Association's (FRA's) National Executive Secretary (NES) in September 2002 during a pre-national convention meeting of the FRA's National Board of Directors (NBOD) in Kissimmee, Fla. He is FRA's senior lobbyist and chairman of the Association's National Committee on Legislative Service. He is also the chief assistant to the National President and the NBOD, and responsible for managing FRA's National Headquarters.

A retired Navy Master Chief, Barnes served as FRA's Director of Legislative Programs and advisor to FRA's National Committee on Legislative Service since 1994. During his tenure, the Association realized significant legislative gains, and was recognized with a certificate award for excellence in government relations from the American Society of Association Executives (ASAE).

In addition to his FRA duties, Barnes is a member of the Defense Commissary Agency's (DeCA's) Patron Council, and was elected Co-Chairman of the 35-organization Military Coalition (TMC) in November 2004. He also serves as Co-Chairman of TMC's Personnel, Compensation and Commissaries Committee and testifies frequently on behalf of FRA and TMC on Capitol Hill.

He received the United States Coast Guard's Meritorious Public Service Award for providing consistent and exceptional support of Coast Guard from 2000 to 2003 and was appointed an Honorary Member of the United States Coast Guard by Admiral James Loy, former Commandant of the Coast Guard, and then-Master Chief Petty Officer of the Coast Guard Vince Patton at FRA's 74th National Convention in September 2001. Barnes is also an ex-officio member of the U.S. Navy Memorial Foundation's Board of Directors.

Barnes joined FRA's National Headquarters in 1993 as editor of On Watch, FRA's quarterly publication distributed to Navy, Marine Corps, and Coast Guard personnel. While on active duty, he was the public affairs director for the United States Navy Band in Washington, DC. His responsibilities included directing marketing and promotion efforts for extensive national concert tours, network radio and television appearances, and major special events in the nation's capital. His awards include the Defense Meritorious Service and Navy Commendation Medals.

Barnes holds a bachelor's degree in education and a master's degree in public relations management from The American University, Washington, DC, and earned the Certified Association Executive (CAE) designation from ASAE in 2003. He's an accredited member of the International Association of Business Communicators (IABC), a member of ASAE, the American League of Lobbyists, the U.S. Naval Institute, Navy League, and National Chief Petty Officer's Association.

He is a member of the FRA Branch 181 board of directors and has served in a variety of volunteer leadership positions in community and school organizations. He is married to the former Patricia Flaherty of Wichita, Kansas and the Barnes' have three daughters, Christina, Allison, and Emily and reside in Fairfax, Virginia.

Joyce Wessel Raezer
Chief Operating Officer
National Military Family Association

Joyce Raezer joined the staff of the Government Relations Department of the National Military Family Association as a volunteer in September 1995. In February 1998, she was selected for the paid position of Senior Issues Specialist for the Association and subsequently served as the Department's Deputy Associate Director and Associate Director before being promoted to Director in December 2001. In February, 2007, she was named Chief Operating Officer. In that position, Joyce guides the management of the Association's programs and initiatives that serve the families of the Uniformed Services.

Joyce has represented military families on several committees and task forces for offices and agencies of the Department of Defense (DoD) and military Services, including the Department of Defense Education Activity (DoDEA), the U.S. Army Community and Family Support Center, and the TRICARE Management Activity (TMA). She has been a member of the Defense Commissary Agency (DeCA) Patron Council since February 2001. Joyce has served on several committees of The Military Coalition, an organization of 36 military-related associations, and is co-chair of the Coalition's Personnel, Compensation, and Commissaries Committee. She served as a beneficiary representative, from September 1999 to December 2000, on a Congressionally-mandated Federal Advisory Panel on DoD Health Care Quality Initiatives. From June 1999 to June 2001, Joyce served on the first national Board of Directors for the Military Child Education Coalition. In 2004, she authored a chapter on "Transforming Support to Military Families and Communities" in a book published by the MIT Press, *Filling the Ranks: Transforming the U.S. Military Personnel System.* She serves as a member of the expert panel for the federally-funded Maternal and Child Health Library, sponsored by Georgetown University.

Joyce was the 1997 recipient of NMFA's Margaret Vinson Hallgren Award for her advocacy on behalf of military families and the Association. She also received the "Champion for Children" award from the Military Impacted Schools Association in 1998. In 2006, she was named a recipient of the Gettysburg College Distinguished Alumni Award.

A Maryland native, Joyce earned a B.A. in History from Gettysburg (PA) College, and a M.A. in History from the University of Virginia. An Army spouse of 25 years and mother of two children, she has lived in the Washington, D.C. area (4 tours), Virginia, Kentucky, and California. She is a former teacher and was elected to the Fort Knox (KY) Community Schools Board of Education in 1993, serving until August 1995. She is an active volunteer parent in her son's school in Fairfax County, Virginia, and sings in her church choir.

DISCLOSURE FORM FOR WITNESSES
CONCERNING FEDERAL CONTRACT AND GRANT INFORMATION

INSTRUCTION TO WITNESSES: Rule 11, clause 2(g)(4), of the Rules of the U.S. House of Representatives for the 110th Congress requires nongovernmental witnesses appearing before House committees to include in their written statements a curriculum vitae and a disclosure of the amount and source of any federal contracts or grants (including subcontracts and subgrants) received during the current and two previous fiscal years either by the witness or by an entity represented by the witness. This form is intended to assist witnesses appearing before the House Armed Services Committee in complying with the House rule.

Witness name: Steven Strobridge

Capacity in which appearing: (check one)

___Individual

X Representative

If appearing in a representative capacity, name of the company, association or other entity being represented: The Military Coalition; Military Officers Assn of America

FISCAL YEAR 2007

federal grant(s) / contracts	federal agency	dollar value	subject(s) of contract or grant
Ø			

FISCAL YEAR 2006

federal grant(s) / contracts	federal agency	dollar value	subject(s) of contract or grant
Ø			
		Ø	

FISCAL YEAR 2005

Federal grant(s) / contracts	federal agency	dollar value	subject(s) of contract or grant

Federal Contract Information: If you or the entity you represent before the Committee on Armed Services has contracts (including subcontracts) with the federal government, please provide the following information:

Number of contracts (including subcontracts) with the federal government:

Current fiscal year (2007):_____;
Fiscal year 2006:_____;
Fiscal year 2005:_____.

Federal agencies with which federal contracts are held:

Current fiscal year (2007):_____;
Fiscal year 2006:_____;
Fiscal year 2005:_____.

List of subjects of federal contract(s) (for example, ship construction, aircraft parts manufacturing, software design, force structure consultant, architecture & engineering services, etc.):

Current fiscal year (2007):_____;
Fiscal year 2006:_____;
Fiscal year 2005:_____.

Aggregate dollar value of federal contracts held:

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Fiscal year 2005: _____.

Federal agencies with which federal grants are held:

Current fiscal year (2007): _____;
Fiscal year 2006: _____;
Fiscal year 2005: _____.

List of subjects of federal grants(s) (for example, materials research, sociological study, software design, etc.):

Current fiscal year (2007): _____;
Fiscal year 2006: _____;
Fiscal year 2005: _____.

Aggregate dollar value of federal grants held:

Current fiscal year (2007): _____;
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Witness name: JOSEPH L. BARNES

Capacity in which appearing: (check one)

Joseph L Barnes
2/27/07

___Individual

✓ Representative

If appearing in a representative capacity, name of the company, association or other entity being represented: FLEET RESERVE ASSN. & THE MILITARY COALITION

FISCAL YEAR 2007

federal grant(s) / contracts	federal agency	dollar value	subject(s) of contract or grant
NONE			

FISCAL YEAR 2006

federal grant(s) / contracts	federal agency	dollar value	subject(s) of contract or grant
NONE			

FISCAL YEAR 2005

Federal grant(s) / contracts	federal agency	dollar value	subject(s) of contract or grant
NONE			

Federal Contract Information: If you or the entity you represent before the Committee on Armed Services has contracts (including subcontracts) with the federal government, please provide the following information:

Number of contracts (including subcontracts) with the federal government:

Current fiscal year (2007): NONE;
Fiscal year 2006: "";
Fiscal year 2005: "".

Federal agencies with which federal contracts are held:

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Fiscal year 2005: "".

Aggregate dollar value of federal contracts held:

Current fiscal year (2007): NOT APPLICABLE;
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Witness name: Joyce Wessel Raezer

Capacity in which appearing: (check one)

___Individual

✓ Representative

If appearing in a representative capacity, name of the company, association or other entity being represented: National Military Family Association

FISCAL YEAR 2007

federal grant(s) / contracts	federal agency	dollar value	subject(s) of contract or grant
n/a			

FISCAL YEAR 2006

federal grant(s) / contracts	federal agency	dollar value	subject(s) of contract or grant
n/a			

FISCAL YEAR 2005

Federal grant(s) / contracts	federal agency	dollar value	subject(s) of contract or grant
n/a			

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Fiscal year 2005: n/a.

Federal agencies with which federal contracts are held:

Current fiscal year (2007): n/a;
Fiscal year 2006: n/a;
Fiscal year 2005: n/s.

List of subjects of federal contract(s) (for example, ship construction, aircraft parts manufacturing, software design, force structure consultant, architecture & engineering services, etc.):

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Fiscal year 2005: n/a.

Aggregate dollar value of federal grants held:

Current fiscal year (2007): n/a;
Fiscal year 2006: n/a;
Fiscal year 2005: n/a.

National Military & Veterans Alliance
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Washington D.C 20002

Phone. 202-646-7713 or 703-750-2568
Fax: 202-646-7751 or 703-354-4380

Testimony of

The National Military and Veterans Alliance

Presented by

Rick Jones
Legislative Counsel, National Military Veterans Alliance,
and Director of Legislative Affairs,
National Association for Uniformed Services.

and

Marshall Hanson, CAPT USNR (Ret)
Co-Director, National Military Veterans Alliance,
and Legislative Director, Reserve Officers Association.

before the

Subcommittee on Military Personnel, Committee on House Armed Services

Thursday, March 1, 2007
2212 Rayburn House Office Building

Disclosure:
Neither the National Military Veterans Alliance, the National Association of Uniformed Services (NAUS) nor The Reserve Officers Association (ROA) have received grants (and/or sub-grants) or contracts (and/or subcontracts) from the federal government for the past three fiscal years.

INTRODUCTION:

Mister Chairman and distinguished members of the Committee, The National Military and Veterans Alliance (NMVA) is very grateful for the invitation to testify before you about our views and suggestions concerning current and future issues facing both serving, retirees, families and survivors.

The Alliance expands the military and veteran community's ability to present a united front to the Department of Defense, Department of Veterans Affairs, Congress and the White House. By working together, the larger voice of the combined associations' memberships and their families help promote the objectives concerning a wide-range of military quality of life pay, personnel, health care, survivor benefits, military housing and education, veterans, and military retiree issues and legislation.

The Alliance Membership:
American Logistics Association
American Military Retirees Association
American Military Society
American Retirees Association
American WWII Orphans Network
AMVETS
Armed Forces Marketing Council
Association of Old Crows
Catholic War Veterans
Gold Star Wives of America
Japanese-American Veterans Association
Korean War Veterans
Legion of Valor
Military Order of the Purple Heart
Military Order of Foreign Wars
Military Order of the World Wars
National Assoc. for Uniformed Services
National Gulf War Resource Center
Naval Enlisted Reserve Association
Naval Reserve Association
Paralyzed Veterans of America
Reserve Enlisted Association
Reserve Officers Association
Society of Military Widows
The Retired Enlisted Association
TREA Senior Citizen League
Tragedy Assistance Program for Survivors
Uniformed Services Disabled Retirees
Veterans of Foreign Wars
Women in Search of Equity

The National Military and Veterans Alliance represents almost five million members. Collectively, our organizations represent some 80 million Americans - those who are serving our nation, or who have served their families, and their survivors.

CURRENT AND FUTURE ISSUES FACING UNIFORMED SERVICES:

The Alliance thanks you for your continued focus on the numerous and important quality of the life issues that affect the generations of servicemembers, their families and their survivors who have through their military and related service changed the world for the better, exactly as today's brave men and women are doing in difficult circumstances elsewhere around the globe

In this time of war the burdens that are being placed on all members of the uniformed services and their families have grown enormously. At the same time the needs of the uniformed services retired and survivor community is growing. While our citizenry is concerned about our National Defense and about those who are now or who have protected our way of life in the past, we should move to make improvements in several crucial programs.

ISSUE 1: PAY AND COMPENSATION:

PAY

For the last two years, Retiree COLAs have been higher than the active duty pay raises. While this has been an economic quirk created by established calculation procedures, lower pay levels for active duty members is a disincentive. Recently the challenge has not only been a pay gap between military and civilian sectors, but a cost of living gap between active military and retiree.

Our serving members are patriots willing to accept peril and sacrifice to defend the values of this country. All they ask for is fair recompense for their actions. At a time of war, compensation rarely offsets the risks. To ensure an all volunteer force, a competitive pay needs to be maintained for its active force, with inflation protections once they retire. NMVA requests that Congress:

- Ensure that annual enlisted military pay raises exceed the Employment Cost Index (ECI) unit, until pay gap with civilian sector is closed.
- Supports targeted pay raises for those mid-grade members who have increased responsibility in relation to the overall service mission.
- Increase Special Pay/Special Duty Assignment Pay rates for those performing duties which have been designated as extremely difficult or involving an unusual degree of responsibility in a military skill.
- Apply the same allowance standard to Aviation Career Incentive Pay, Career Enlisted Flyers Incentive Pay, Diving Special Duty Pay, hazardous duty and other special pays to reservists as they are currently paid to active duty members if active duty standards are met.

RETENTION OF MEDICAL PROFESSIONALS

The Alliance has received feedback that Congress could include incentives to encourage many medical doctors, dentists, and nurses to stay in longer by:

- Restoring compensation parity with Department of Veterans Affairs medical professionals.
- Including Bonus/Cash Payments (Incentive Specialty Pay IPS) in Retirement Pay calculations for military health care providers, which will improve retention in critical military health care providers.

HOUSING

- Increase funding for housing allowances to fulfill mandate that the allowance account for full cost of housing.
- Change the square-footage and dwelling type (by rank) standard to determine the formula for the Basic Allowance for Housing (BAH) to financially protect the entire "military family" regardless of rank.

NATIONAL GUARD AND RESERVE

Over half a million Guard and Reserve members have been mobilized since September 11, 2001. This operational tempo has placed enormous strains on reservists, their family members and their civilian employers.

A further impact has been the recent change in Mobilization Policy announced by the Pentagon in January. Where previously, a Guard or Reserve Member was open to involuntarily mobilization for up to 24 cumulative months, following the announcement Reserve Component (RC) members may now be called up for 24 consecutive months. While this provides the Pentagon more flexibility, this also is viewed as a further change to the contract of Guard or Reserve Members.

Beyond extending some RC units in country, the Pentagon has yet to fully implement this new policy. Many Guard and Reserve members anxiously await. This new policy will take time to fully execute. It includes limiting mobilizations to a one-year duration, and a one-year in six-year frequency.

Secretary of Defense Gates announced the development of a compensation plan. A draft policy is now being circulated within the Pentagon, according to which individuals would be paid extra cash incentives if they are deployed early, deployed often, held over in theater, or mobilized beyond a year.

The Office of Personnel and Readiness proposes that both Active Component and Reserve Component members who extend past a year "on the ground" in theater will be paid an additional $1,000 per month. If mobilized outside of theater beyond a year, the rate would be $500 per month.

If redeployed early, a lump sum would be paid based on how quickly a member returns to deployment. For the Reserves, if a member is immediately remobilized, the payment could be $6,000. If mobilized at15 months, the payment could be $4,500. If mobilized at 30 months, the Reservist could be paid $3,000, and at 45 months the payment would be $1,500.

Services would be allowed substantial latitude to develop their own programs. The Army Reserve has already announced that its rotation will be a one year in five year frequency.

This new policy with its incentives supports the Pentagon philosophy of buying Guard and Reserve services through up-front cash incentives and bonuses. The final test for this policy will be the response it receives from the serving members. Reservists vote with their feet. Recruiting and retention will be the metric of this new policy.

The Alliance feels that near term incentives are short sighted. NMVA believes that the National Guard and Reserve's pay, bonuses, benefits and retirement should reflect these added obligations, multiple activations and increased training requirements, by mixing both near term and deferred benefits. The following briefly outline some our suggestions for improvements that would make the added obligations of our Guard and Reserve members easier to bear and maintain.

Bonuses - Guard and Reserve component members may be eligible for one of three bonuses, Prior Enlistment Bonus, Reenlistment Bonus and Reserve Affiliation Bonuses for Prior Service Personnel. These bonuses are used to keep men and woman in mission critical military occupational specialties (MOS) that are experiencing falling numbers or are difficult to fill. During their testimony before this committee the Reserve Chiefs will address the positive impact that bonuses have upon retention. This point cannot be understated. The operation tempo, financial stress and civilian competition for these jobs makes bonuses a necessary tool for the Department of Defense to fill essential positions.

Compensation- Increasing demands on Guard and Reserve members call for changes in their compensation so that the Reserve component can continue to attract and retain those willing to shoulder the added responsibilities.

- Needed improvements include increasing Selected Reserve Montgomery GI Bill benefits to 50% of the active duty Montgomery GI bill rate. Recently, the value of the benefit has slipped to 27% of the basic program. The Selected Reserve benefit needs to keep pace with the active duty benefit.
- The Alliance also recommends lifting the cap on Inactive Duty points that can be earned annually by a Guard or Reserve member. A limit on the amount of training that can be credited for retirement purposes creates a disincentive to professional development.
- Special and incentive pays need to be increased. Many Guard and Reserve members feel cheated when they receive 1/30th of a month's pay for each day duty is performed for many special and incentive pays. These pays are based upon proficiency, not time. The disparity, even if it is only a perceived disparity, needs to be addressed.
- Changes to the Reserve duty system need to be considered carefully. NMVA understands why the Department of Defense would wish simplify the duty status for Reserve component members, but any change that would results in the loss of pay must not be implemented.
- Permit activated Reservists to defer repayment and accrual of interest of certain Federally-backed student loans.

Retirement System- When the Reserve force retirement system was established in 1947, it was assumed that a Guard or Reserve member has a primary career in the civilian sector. Over the last two decades, more has been asked of Guardsmen and Reservists than ever before. The changing and increasing demands on Reserve forces have cost tens of thousands of Guard and Reserve members significantly in terms of their civilian retirement accrual, civilian 401(K) contributions and civilian job promotions. The Reserve retirement system must be adjusted to sustain its value as a complement to civilian retirement.

The nature of the contract has changed; Reserve Component members would like to see recognition of the added burden they carry. Providing an option that reduces the retired with pay age from 60 to 55 years carries importance in retention, recruitment, and personnel readiness. Failing to acknowledge and respond to the changed environment that Guard and Reserve members face will have far reaching effects on Reserve participation and career retention. In addition to the simple fairness of acknowledging the changed situation this would be another power recruiting and retention tool for the Services to have.

Stress on Guard and Reserve Forces- The Alliance urges that Congress provides additional resources for Reserve recruitment, retention, and family support to relieve enormous pressure on overstressed Guard and Reserve forces, as well as a moratorium and review of any manpower draw-downs at this time – when we are calling on these critically important assets to fight our nation's wars.

Guard/Reserve Family Support Programs- We urge support and funding for a core set of family support programs and benefits that meet the unique needs of geographically dispersed Guard and Reserve families who do not have ready access to military installations or current experience with military life. Programs should promote better communication and enhance education for Reserve component family members about their rights and benefits and available services.

GUARD AND RESERVE HEALTH CARE

The National Military and Veterans Alliance appreciates the steps you took in the last session of Congress by extending the TRICARE Reserve Select program to Select drilling Reservists. Yet many are not included.

Not all IRR members are eligible to join the Selected Reserve, some communities such as doctors and chaplains do not have enough pay billets. Retirees can be recalled, but are permitted to return to a pay status. A number of Federal Employee Health Benefit Plan beneficiaries have been mobilized, but will lose their eligibility on 1 Oct 2007. *The Alliance urges that Tier One eligibility be continued for qualifying members that have mobilized, but who aren't eligible for TRS under current laws.*

- Ensure that mobilized IRR members, retirees and FEHBP are eligible to qualify for Tier One TRICARE Reserve Select.

The Alliance also believes that federal payment of civilian health care premiums should be an option for mobilized Guard and Reserve members. Many families prefer to

maintain the continuity of their own health insurance rather than switching to TRICARE and frequently pick up the cost of their civilian premiums. *The Department of Defense should be able to pay employers the equivalent to the TRICARE premium costs for activated Reserve Component members.*

- Pay employers a stipend to continue mobilized Reservists civilian healthcare.

DEMOBILIZED DENTAL CARE
Under the revised transitional healthcare benefit plan, Guard and Reserve who were ordered to active duty for more than 30 days in support of a contingency and have 180 days of transition health care following their period of active service.

Similar coverage is not provided for dental restoration. Dental hygiene is not a priority on the battlefield, and many Reserve and Guard are being discharged with dental readiness levels much lower than when they were first recalled. At a minimum, DoD must restore the dental state to an acceptable level that would be ready for mobilization, or provide some subsidize for 180 days to permit restoration from a civilian source.

Current policy is a 30 day window with dental care being space available at a priority less than active duty families.

NMVA asks the subcommittee for funding to support a DoD's demobilization dental care program. Additional funds should be appropriated to cover the cost of TRICARE Dental premiums and co-payment for the six months following demobilization if DoD is unable to do the restoration.

- Provide 180 days of restorative dental coverage following demobilization.

ISSUE 2: FORCE POLICY AND STRUCTURE:

Increase Defense Spending
The Alliance urges the President and Congress to *increase defense spending to 5 percent* of Gross Domestic Product during the Global War on Terrorism to cover procurement and prevent unnecessary personnel end strength and benefit cuts.

End Strength
The NMVA supports funding increases in support of the end strength boosts of the Active Duty Component of the Army and Marine Corps that have been recommended by Defense Authorizers. New recruits need to be found and trained now to start the process so that American taxpayer can get a return on this investment. Such growth is not instantaneously productive.

- NMVA also hopes that this subcommittee would include language reminding the Department of Defense that once appropriated that each service should proactively recruit to try to attain these numbers.

With the Commission on the Guard and Reserve now active, it makes sense to put a moratorium on changes to End Strength until after they report back to Congress with

recommendations.

- NMVA urges this subcommittee to put a freeze on reductions to the Guard and Reserve manning levels.

ISSUE 3: SURVIVOR BENEFIT PLAN DEPENDENCY AND INDEMNITY COMPENSATION OFFSETS:

Eliminate the SBP/DIC Offset

The Alliance strongly supports action that would end the offset that is applied to the military Survivor Benefit Plan (SBP) due to receipt of veterans Dependency and Indemnity Compensation (DIC).

As members of the Subcommittee know, SBP and DIC payments are paid for different reasons. SBP is provided through the Department of Defense to active-duty and retirement-eligible individuals with a spouse or children. In the case of a retiree, it is coverage elected and purchased by the retiree to provide a portion of retired pay to the survivor. DIC payments are provided through the Department of Veterans Affairs as a special compensation to a survivor when the service member's death comes as a result of or due to injuries received during military service.

Under current law, there is a dollar-for-dollar reduction in the payment of the SBP annuity for each dollar of DIC compensation. Survivors, upon eligibility for DIC, lose a majority -- or all too often -- the entire amount of their monthly SBP annuity. For survivors with a rank below E-6, this effectively negates most, if not all, of the SBP payment.

The adverse impact is a loss of $1,067 per month, an amount equal to the flat monthly payment of DIC. But in a larger sense, it is a price paid by surviving families for the death of a spouse in service to the nation.

In the case of military retirees, they pay into the SBP program with the intention of providing an annuity for their survivors. They sign up believing their premium payments guarantee a certain percent of retired pay for the life of their survivor. It is not hard to imagine the shock of financial disadvantage when the survivors of these men and women who so loyally served the nation learn of the annuity reduction on receipt of the DIC compensation from VA.

Mr. Chairman, taking care of a servicemember's loved ones is a cost of war, just as providing equipment and ammunition. While we can never fully repay a wife or husband for the loss of their spouse, we can do better than to treat the two categories of assistance, one an annuity program and the other an indemnity, as though they were one and the same. Eliminating the offset between two different programs would support spouses and orphans left behind.

It is critical to The Alliance that we, as a nation, fix this inequity in law and keep faith

with the brave man and women who serve and have served in our military. These are the military who defend our national security, who risk life and limb to serve thousands of miles away from loved ones, and who made significant sacrifice to protect the lives of innocent men, women, and children.

Michelle Linn of Bonsall, California, recently wrote that her world changed when her husband, Marine Corps SSgt Aaron White, was killed in May 2003, two days after their daughter's first birthday. She is alone with one child to support, struggling to pay the rent, buy healthy food, and pay medical expenses. She is worried about the future. The majority of us here today are fortunate not to fully understand the dire situation she faces every day. Her story, however, is typical of those from more than 3,000 of other families who have recently lost loved ones in current military service. And it echoes the concerns of the more than 61,000 survivors currently caught in the offset trap.

Michelle Fitz-Henry, the surviving spouse of Senior Chief Petty Officer Theodore Fitz-Henry, tells us, "The service men and women who die in ... service to our country are no longer alive to fight for what meant most to them—their families." She adds, "A grateful nation must fight for them."

This is an important issue, and we urge you to fix the Survivor Benefit Plan and restore it to its full coverage as the servicemember intended it to provide. To reduce SBP dollar-for-dollar by DIC compensation, given for an entirely different reason, is unfair. *Fixing this problem is an issue of basic fairness, and your action to correct this significant inequity would be long remembered as an act of decency and compassion.*

Accelerate the "Paid-Up" Provision for SBP Premiums

In 1999, Congress reduced the cost of the Survivor Benefit Plan (SBP) when it enacted the "paid-up" provision. The change in law stipulates that retirees who are at least seventy years old and have paid premiums for at least thirty years would be considered "paid-up" and would no longer have to continue paying premiums to remain covered under the program.

The legislative change was well received because it provides a modest boost in the retiree's income at a later stage in life. However, there was an inherent inequity contained in the language of the approved change. Congress delayed the effective date of this provision until October 2008.

As a result, any SBP enrollee on or after October 1, 1978, will enjoy the complete benefit of the paid-up provision. On that date, the individual would no longer have to pay 6.5 percent of their monthly-retired pay to provide a survivor annuity equal to 55 percent of base retired pay. However, those members who enrolled in SBP when it first came out in 1972, though receiving the same benefit, would have paid for up to 36 years to secure the same coverage for their survivors.

For some of our organizations' members, payment for coverage dates back before the enactment of the 1972 SBP program, yet they continue to pay. In fact, Sylvan Ash of

California (Retired Army) informs us that he elected to receive a reduced amount of retired pay in order to establish annuities for his survivors under the Uniformed Services Contingency Option Act of 1953, which was amended and renamed in 1961 as the Retired Serviceman's Family Protection Plan and later became SBP.

Passage of the "paid-up" provision was a good idea, but delaying the effective date leaves much to be desired. In simple terms, those who signed up before 1978, regardless of the name of the annuity program, get the same benefits but pay-in longer, six-years and more.

The Alliance understands that the entire package was approved to avoid and overcome certain budgetary accounting rules. However, we firmly believe that the arrangement is unfair, lacks appreciation for those who seek a modest annuity for their survivor, and should be fixed this year.

We urge this Subcommittee to initiate legislation to accelerate the "paid-up" provision of the Survivor Benefit Program to see that retirees who are at least seventy years old and have paid premiums for at least thirty years no longer are required to pay premiums.

Related Survivor Matters: SGLI, Death Gratuity, and Child Only SBP
Here, the Alliance wishes to express its gratitude for the recent increases in the Servicemembers' Group Life Insurance and the death gratuity provisions and the authority to transfer SBP to children.

However, it should be understood that SGLI has nothing to do with SBP as a survivor benefit. To consider SGLI as a vehicle to reduce the overall package of survivor assistance and support is mistaken. It is a separate life insurance policy. It is an optional program. Not every husband, wife, child or parent is covered. Servicemembers pay monthly premiums to carry its coverage, unless OEF/OIF deployed.

Regarding the death gratuity, The Alliance applauds your leadership in increasing the death gratuity payment. Its enhancements have given greater comfort to our military personnel and their families as they are called upon to defend America and defeat the goals of terrorists. As designed, it assists families as they try to put their lives back together. And your actions help honor the nation's obligation to these families.

However, The Alliance is troubled to hear that there are some apparent weaknesses in the application of the death gratuity payments. The problem in this program is that on occasion the forms naming the beneficiary do not keep pace with life's changes. Individual circumstances change over time, as we all know. For instance, a birth in the family may not be recognized on a servicemember's form or the marriage itself may occur after certain required forms are filled in or other changes forgotten in the rush of life. *NMVA urges Congress to review the management of the program to ensure it retains its integrity, and continues to protect families and avoid unattended outcomes.*

Regarding the SBP child option, The Alliance appreciates the opportunity for families to

avoid any SBP/DIC offsets and expand the availability of assistance under the SBP child option. However, we remain concerned that the presence of the SBP/DIC offset forces a family to select this option in order to receive an SBP benefit. We can do better and we should. *NMVA recommends that Congress give spouses the opportunity to switch back to Spouse Only when the child reaches the age of maturity.*

ISSUE 4: RETIREMENT ISSUES:

The member organizations of The Alliance deeply appreciate the commitment of the Subcommittee to ensure a strong retirement system that includes significant benefits for retirees following a full military career or a disability retirement. We look forward to an agenda this year that extends the record of achievement to include improvements in concurrent receipt and the former spouses protection act.

Concurrent Receipt of Military Retired Pay and Veterans Disability Compensation. A grateful nation must keep faith with its military retirees. If a retiree has the misfortune of becoming disabled as a result of service, he or she can apply and receive VA disability compensation. To receive this compensation, however, the disabled retiree must waive, dollar-for-dollar, an equal amount of retied pay. No other federal employee is treated similarly, only the military.

Progress has been made in overturning the bar on disabled military retirees from collecting their full retirement for serving a minimum of 20 years in the service. Since the fiscal 2003 National Defense Authorization Act (NDAA) authorized a special compensation for certain military retirees injured in combat, Congress has advanced concurrent receipt to include benefits to most military retirees with combat related disabilities and to personnel with service-connected VA disability ratings of 50 percent or higher.

Changes in the old-way have moved policy in the right direction. Tens of thousands of disabled retirees welcome what Congress has done, yet many more disabled retirees await their inclusion. More can be done and it should.

The Alliance has consistently urged members of the House Armed Services Committee (HASC) and other champions in Congress to press legislation for full and complete concurrent receipt for all disabled retirees. We believe this is the right thing to do.

Vets Forced Out Before 20-Year Retirement
The Alliance also strongly supports extension of concurrent receipt to take care of servicemembers whose military careers were cut short because of an injury sustained in military service, the so-called forgotten Chapter 61 veterans. Most of these individuals never had the chance to choose a career. They were forced to retire medically before attaining 20 years of service.

Under current law, these individuals choose to receive either the medical retirement offered by DoD or the VA compensation for their rated injury. In nearly every case the

VA compensation, once settled, provides greater support. In effect, the injured soldier gives up all of his military medical retirement.

The Alliance believes strongly that taking care of our military is the right thing to do. These service personnel have sacrificed greatly to protect and defend our cherished freedoms. Their injuries have caused them to prematurely end military service. And at a time of war when we see the number and extent of injuries from Improvised Explosive Devices in the present generation of medical retirees, we believe these brave men and women deserve to get a better deal or to receive, at the very least, a better consideration.

We should not penalize someone who is forced to leave the military short of 20 years because of a sacrifice they made as a dedicated soldier.

Individual Unemployability, Inability to Work
To continue to chip away on the concurrent receipt issue, The Alliance also recommends the immediate phase-in of concurrent receipt for those retirees rated 100 percent disabled and unemployable by the Department of Veterans Affairs. In the 2006 NDAA, Congress accelerated the phase in of concurrent receipt for individuals rated 100 percent disabled as a result of Individual Unemployability.

NMVA urges the members of the Subcommittee to treat all 100 percent disabled in the same manner. Provide immediate full concurrent receipt, not only to one portion of 100-percenters, but to all without making a division between one servicemember group and another also disabled at 100 percent.

The Alliance looks forward to the time when the old policy on concurrent receipt is completely ended. We urge it be done this year. Once accomplished, we will have met the challenge of establishing a clear policy of national recognition for those who become disabled in service to their nation. It is something they earned and deserve.

Joint POW/MIA Accounting Command (JPAC)
Ensure JPAC funding is sufficient to investigate, recover, identify, and repatriate military remains from all sites currently identified.

ISSUE 5: UNIFORMED SERVICES FORMER SPOUSES PROTECTION ACT (USFSPA):

Stresses of War are causing an ever increase divorce rate in the Armed Forces. The Alliance urges the subcommittee to gather updates on USFSPA and amend the USFSPA to address the inequities found within the provision. NMVA recommends:

- Scheduling a hearing on the requirement to reform the USFSPA.
- Strengthen legislation to preclude state courts from dividing disability pay. Reiterate and reinforce the USFSPA's protection of disability pay.
- Enactment of legislation during the first session of the 110th Congress to:

- Prohibit the award of imputed income of divorcing active duty military members.
- Eliminate the "windfall benefit" and allow payments only to be tied to the rank at the time of divorce, not at the time of retirement.
- Limit the number of payments to an ex-spouse to be equal to the number of months married concurrently with military service.
- Establish a two-year statute of limitations on the time allowed an ex-spouse to claim USFSPA benefits after a divorce.
- Balance the criteria for the award of retired pay to a military member and his/her ex-spouse.
- Mandate education of the USFSPA to all servicemembers as part of their required annual training, (i.e. such as in conjunction with Ethics and the Prevention of Sexual Harassment annual training).

Our member organizations would like to see a number of reforms, including changes in the issuance of an imputed retirement annuity. Clearly, a servicemember is required to serve 20 years or more to be eligible for retirement pay. Yet a former spouse can claim a portion of the eventual retirement pay even in the case of a marriage lasting only a short period.

Other matters, which should be part of a hearing, were brought up in a DoD 2001 report to Congress. We encourage your review of this important subject and look forward to your actions on the most important USFSPA-related issues.

Preserving the Marriages and Families of Our Service Personnel
We also believe that the Subcommittee needs to take a hard look at the rising number of marriages and families that will be forfeit by the current war deployments and continued use of the same set of troops to carry on the fights. Frankly, the same folks cannot do it, year after year, without the loss of their families.

Congressional and military leaders need to make a continued commitment to support military personnel and their families. We support marriage, but we also recognize the reality of divorce, which is especially prevalent in the military due a number of unique challenges in military life—frequent moves and a high tempo of operations. With dwell time being reduced and involuntary deployments rising, now is a good time for the Subcommittee to focus on the importance of preserving the marriages and families of our service folks.

ISSUE 6: MILITARY HEALTH CARE:

DoD Health Care: Proposals Raise Concern
The National Military and Veterans Alliance must once again express our gratitude to this Committee for your continued focus on the numerous and important quality of the life issues, in particular the current state of the military health care system and the moratorium placed on proposed initiatives by the Department of Defense.

The Defense blueprint for military healthcare raises serious concern to the Alliance. DoD continues to recommend saving $1.8 billion through sharp increases in TRICARE fees and higher co-pays for pharmaceuticals for 3.1 million retirees under age 65 and their families.

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, by forcing more than 100,000 retirees to leave their TRICARE coverage due to added costs.

In all candor, the Alliance is not comfortable with recommendations submitted by Pentagon leadership suggesting that updated and improved military benefits were damaging national security. Alliance members do not see this as an equitable exchange, where benefits earned in career military service must be shaved because this cost is purported to impact equipment and readiness accounts.

What we see and hear disturbs us, because the Department of Defense appears to be waiting until 1 October 2007, when the regain their authority to increase TRICARE prime fees. The Alliance is concerned that the Pentagon has yet to prove the actual costs and may use the Congressionally mandated Task Force on the future of DoD Health care as a feign to avoid a serious evaluation toward cost savings. We further 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.

It is imperative that the administration and Congress do the right thing. To renege on the commitment to provide adequate funding for benefits earned through a career in armed service would send the wrong signal to those who now serve and have served in America's Armed Forces, especially during a time of war. Allowing DoD a chance to implement increases without a careful examination would send the wrong message to the military community and would greatly influence retention and recruitment.

The Alliance supports extending the moratorium on fee increases until Congress has received all reports, the Task Force on the future of DoD Healthcare has completed its report, and time is permitted to allow proper analysis of all this information by both Congress and the beneficiaries.

Budget Priorities

The Alliance has faith in our leaders, but doesn't want to rush to quick solution. 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 take time and work together to sort out the matter and use common sense to reach a balanced and reasonable analysis of the predicament, especially when our courageous troops are engaged in battle overseas.

The National Military Veterans Alliance questions the budgetary assumptions behind the Department of Defense proposals. The Department assumes that these increased enrollment fees and cost shares will increase revenue and save money by forcefully migrating entitled beneficiaries to preferred programs or out of the TRICARE program all together. Thus, the Department of Defense has begun to reduce its budgetary request for health care. However, there is no guarantee that the numbers projected by the Department will actually disenroll. In fact, as civilian health care costs continue to rise at rates above general inflation, more eligible beneficiaries may migrate to the Defense Health Program.

- The Alliance strongly supports H.R. 579, a bill to prohibit certain increases in fees for military health care and effectively placing TRICARE fee increases under Congressional supervision.

By removing DoD authority to increase TRICARE fees, the Military Retirees' Health Care Protection Act or legislation similar to it would help ensure the Federal government promise of health care for life to the brave men and women who serve a career in military service. Your action in this matter would send the right signal to those who serve, have served or are thinking about serving in America's Armed Forces, especially in wartime.

- The Alliance asks Congress to continue to reject of the DoD proposed increases.

The Alliance asks the subcommittee to reject the DoD proposed increases and ensure 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.

- Full Funding for the Defense Health Program.

The Alliance applauds the subcommittee's role in providing adequate funding for the Defense Health Program (DHP) in the past several budget cycles.

The NMVA is extremely concerned that if the assumed level of beneficiary migration does not occur, especially as it appears the Department has not fully taken into account additional beneficiaries under TRICARE Reserve Select, the Defense Health Budget will have a very serious financial short fall.

The President's proposed budget under funds the DHP for FY-2008. The National Military and Veterans Alliance urges the subcommittee to continue to ensure full funding for the Defense Health Program including the full costs of all new programs.

Comparison with Civilian Plans

The Department of Defense suggests "civilianizing" the Defense Health Program (DHP).

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 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 Military and Veterans Alliance urges the Subcommittee to ensure that we meet our promises and obligations to these brave men and women and their families and provide them the best healthcare available at the lowest possible cost.

TRICARE Standard Fee
The Alliance is still concerned with DoD's 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, for a lower co-payment they also receive greater service, guaranteed access to care and timeliness standards.

TRICARE Standard program has been sadly neglected. The recruitment and education of providers who reside outside of the Military catchment areas has been passed along from one entity to another without a sense of ownership. Most important, the cost of the program to the beneficiary is seen as extremely high when compared to TRICARE Prime. The Standard beneficiary pays much more than the 25 percent of the cost share for doctor visits and the extremely high inpatient costs of $535 per day.

- The Alliance urges the subcommittee to reject any additional TRICARE Standard fees or increased deductibles.

TRICARE Pharmacy Programs
The DoD budget proposed a 67 percent increase in retail formulary pharmacy fees for all members and families eligible for military health care, 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, the Alliance feels 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.

Further DoD under estimates the participation levels in TMOP, and doesn't aggressively market to or educate beneficiaries to use the mail order program. Savings can been found for both the beneficiary as well as the Department to use TMOP.

- The NMVA urges the Subcommittee to direct DoD to develop and use an active marketing plan for beneficiary use of the mail order program.

TRICARE RETIREE DENTAL PLAN (TRDP)
The focus of the TRICARE Retiree Dental Plan (TRDP) is to maintain the dental health of Uniformed Services retirees and their family members. With the Global War on Terrorism becoming the Long War, more and more active duty and Reserve retirees are being reactivated.

If the Department is making retirees deployment eligible, it also should assist retirees in maintaining their dental readiness by providing a government cost-share for the retiree dental plan.

ISSUE 7: COMMISSARY AND EXCHANGE BENEFITS:

The Alliance still views commissary and exchange benefits as a compensation promise to both our active and retiree members. There is an ongoing need to maintain and improve commissary and exchange benefits. NMVA urges Congress to:

- Ensure full funding of the current commissary system to assure continuation of the benefit and to preclude an increase in the customer surcharge.
- Encourage the Departments of Defense and State to negotiate with host countries under the Status of Forces Agreement (SOFA), to allow U. S. military retirees at all overseas locations to use military commissaries and exchanges.
- Stop any initiative that suggests commissary privatization or consolidation with exchange services.
- Stop any initiatives to consolidate or privatize the military exchange services.
- Provide two years of transition military resale benefits for veterans following separation from active duty.
- Assure continuation of second destination transportation funding for overseas shipment of commissary and exchange goods.

ISSUE 8: ARMED FORCES RETIREMENT HOMES:

Following Hurricane Kristina, Navy/Marine Corps residents from AFRH-Gulfport were evacuated from the hurricane-devastated campus and were moved to the AFRH-Washington, D.C., campus. Dormitories were reopened that continue to need refurbishing.

- NMVA urges this subcommittee to fund upgrades to the Washington, D.C., facility, and also provide funding to rebuild the Gulfport facility.

CONCLUSION:

The National Military and Veterans Alliance Appreciates the Opportunity to Testify Before the Military Personnel Subcommittee.

The National Military and Veterans Alliance thanks you for your leadership and commitment on the core issues of the military retirement program and survivor benefits plan. And we thank you, as well, for holding this hearing and allowing us a chance to present testimony.

Over the years, your panel's leadership has helped make it clear that the military retirement package continues to be a high priority, and you have our appreciation and support in remembering those brave men and women who serve and have served in uniform.

The Alliance is thankful for the work you have done to establish a clear policy of national recognition for those who serve. We sincerely appreciate your vigilance in efforts to improve earned benefits, and we look forward to working with you and others in the Congress to protect, strengthen and improve the benefits America's servicemembers earned and deserve.

CURRICULUM VITAE AND ORGANIZATIONAL DISCLOSURE STATEMENTS

Marshall Hanson, CAPT USNR (Ret)
Co-Director, National Military and Veterans Alliance,
and Legislative Director, Reserve Officers Association.

Marshall Hanson became the Legislative Director of the Reserve Officers Association on 12 September 2005, two years after joining the ROA staff as the Naval Services Director. He brought to the ROA experience as the full time Director of Legislation for two other associations, Naval Reserve Association and the National Association for Uniformed Services.

He is the co-director of the National Military Veteran's Alliance, has been chairman of the Navy Marine Corps Council, and chairman for the Tax Committee in the Military Coalition. He has gone through more than seven legislative cycles.

Recently retired from the Naval Reserve, Marshall Hanson served as a Captain (0-6) with a military career spanning over 30 years of active and inactive (drilling) status. He served afloat in Vietnam, and has had additional duty assignments to India, S. Korea, Okinawa, and Japan. He has commanded seven Naval Reserve units, and served as a member of the Navy's Physical Evaluation Board.

Marshall is a graduate with distinction of the Naval War College. He holds an MBA in marketing, from the University of Washington, Seattle. Following 20 years in industry, Marshall Hanson left Seattle, Washington with his wife Deborah and their two daughters to accept a legislative position in May of 1999.

Richard "Rick" Jones
Legislative Counsel, National Military and Veterans Alliance
and Legislative Director, National Association for Uniformed Services

Richard "Rick" Jones joined NAUS as Legislative Director on September 1, 2005. As legislative director, he is the primary individual responsible for promoting NAUS legislative, national security, and foreign affairs goals before the Departments of Defense and Veterans Affairs, and the Congress of the United States.

Rick is an Army veteran who served as a medical specialist during the Vietnam War era. His assignments included duty at Brooke General Hospital in San Antonio, Texas; Fitzsimons General Hospital in Denver, Colorado; and Moncrief Community Hospital in Columbia, South Carolina.

Rick completed undergraduate work at Brown University prior to his Army draft and earned a Master Degree in Public Administration from East Carolina University in Greenville, North Carolina, following military service.

Prior to assuming his current position, Rick served five years as National Legislative Director for AMVETS, a major veterans service organization. He also worked nearly twenty years as a legislative staff aide in the offices of Senator Paul Coverdell, Senator Lauch Faircloth, and Senator John P. East. He also worked in the House of Representatives as a committee staff director for Representative Larry J. Hopkins and Representative Bob Stump.

In working for Rep. Stump on the House Committee on Veterans' Affairs, he served two years as minority staff director for the subcommittee on housing and memorial affairs and two years as majority professional staff on funding issues related to veterans affairs' budget and appropriations.

Rick and his wife Nancy have three children and reside in Springfield, Virginia.

DISCLOSURE FORM FOR WITNESSES
CONCERNING FEDERAL CONTRACT AND GRANT INFORMATION

INSTRUCTION TO WITNESSES: Rule 11, clause 2(g)(4), of the Rules of the U.S. House of Representatives for the 110th Congress requires nongovernmental witnesses appearing before House committees to include in their written statements a curriculum vitae and a disclosure of the amount and source of any federal contracts or grants (including subcontracts and subgrants) received during the current and two previous fiscal years either by the witness or by an entity represented by the witness. This form is intended to assist witnesses appearing before the House Armed Services Committee in complying with the House rule.

Witness name: Richard A. "Rick" Jones

Capacity in which appearing: (check one)

___Individual

_X_Representative

If appearing in a representative capacity, name of the company, association or other entity being represented: National Military and Veterans Alliance

FISCAL YEAR 2007

federal grant(s) / contracts	federal agency	dollar value	subject(s) of contract or grant
None			

FISCAL YEAR 2006

federal grant(s) / contracts	federal agency	dollar value	subject(s) of contract or grant
None			

FISCAL YEAR 2005

Federal grant(s) / contracts	federal agency	dollar value	subject(s) of contract or grant
None			

Federal Contract Information: If you or the entity you represent before the Committee on Armed Services has contracts (including subcontracts) with the federal government, please provide the following information:

Number of contracts (including subcontracts) with the federal government:

Current fiscal year (2007):___None_____;
Fiscal year 2006:_____None_____;
Fiscal year 2005:_____None _____.

Federal agencies with which federal contracts are held:

Current fiscal year (2007):____None_____;
Fiscal year 2006:_____None_____;
Fiscal year 2005:_____None_____.

List of subjects of federal contract(s) (for example, ship construction, aircraft parts manufacturing, software design, force structure consultant, architecture & engineering services, etc.):

Current fiscal year (2007):____None_____;
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Aggregate dollar value of federal contracts held:

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Fiscal year 2005:_____None_____.

List of subjects of federal grants(s) (for example, materials research, sociological study, software design, etc.):

Current fiscal year (2007):___None_____;
Fiscal year 2006:_____None_____;
Fiscal year 2005:_____None_____.

Aggregate dollar value of federal grants held:

Current fiscal year (2007):____$0_____;
Fiscal year 2006:_____$0_____;
Fiscal year 2005:_____$0_____.

Neither the National Military and Veterans Alliance nor The National Association for Uniformed Services (NAUS) has received grants (and/or sub-grants) or contracts (and/or subcontracts) from the federal government for the past three fiscal years.

_____
Richard "Rick" Jones

DISCLOSURE FORM FOR WITNESSES
CONCERNING FEDERAL CONTRACT AND GRANT INFORMATION

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Witness name:_____**Marshall Hanson**_____

Capacity in which appearing: (check one)

___Individual

_X_Representative

If appearing in a representative capacity, name of the company, association or other entity being represented:_____National Military and Veterans Alliance_____

FISCAL YEAR 2007

federal grant(s) / contracts	federal agency	dollar value	subject(s) of contract or grant
None			

FISCAL YEAR 2006

federal grant(s) / contracts	federal agency	dollar value	subject(s) of contract or grant
None			

FISCAL YEAR 2005

Federal grant(s) / contracts	federal agency	dollar value	subject(s) of contract or grant
None			

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Current fiscal year (2007):____$0_____;
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Fiscal year 2005:_____$0_____.

Neither the National Military Veterans Alliance nor The Reserve Officers Association (ROA) have received grants (and/or sub-grants) or contracts (and/or subcontracts) from the federal government for the past three fiscal years.

Marshall Hanson

_____
Marshall Hanson

**Statement for
the Record**

Reserve Officers Association of the United States

For the

**Subcommittee on Personnel
House Armed Services Committee
United States House of Representatives**

March 1, 2007

"Serving Those Who Serve™"

**Reserve Officers Association
1 Constitution Avenue, N.E.
Washington, DC 20002-5618
(202) 646-7719**

The Reserve Officers Association of the United States (ROA) is a professional association of commissioned and warrant officers of our nation's seven uniformed services, and their spouses. ROA was founded in 1922 during the drawdown years following the end of World War I. It was formed as a permanent institution dedicated to National Defense, with a goal to teach America about the dangers of unpreparedness. When chartered by Congress in 1950, the act established the objective of ROA to: "...support and promote the development and execution of a military policy for the United States that will provide adequate National Security." The mission of ROA is to advocate strong Reserve Components and national security, and to support Reserve officers in their military and civilian lives.

The Association's 75,000 members include Reserve and Guard Soldiers, Sailors, Marines, Airmen, and Coast Guardsmen who frequently serve on Active Duty to meet critical needs of the uniformed services and their families. ROA's membership also includes officers from the U.S. Public Health Service and the National Oceanic and Atmospheric Administration who often are first responders during national disasters and help prepare for homeland security. ROA is represented in each state with 55 departments plus departments in Latin America, the District of Columbia, Europe, the Far East, and Puerto Rico. Each department has several chapters throughout the state. ROA has more than 450 chapters worldwide.

ROA is a member of The Military Coalition where it co-chairs the Tax and Social Security Committee. ROA is also a member of the National Military/Veterans Alliance. Overall, ROA works with 75 military, veterans and family support organizations.

DISCLOSURE OF FEDERAL GRANTS OR CONTRACTS

The Reserve Officers Association is a private, member-supported, congressionally chartered organization. Neither ROA nor its staff receive, or have received, grants, sub-grants, contracts, or subcontracts from the federal government for the past three fiscal years. All other activities and services of the Association are accomplished free of any direct federal funding.

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INTRODUCTION

Mr. Chairman and distinguished members of the House Armed Services Committee, on behalf of its 70,000 members, the Reserve Officers Association thanks the committee for the invitation and opportunity to submit testimony on military pay and compensation issues.

ROA applauds the ongoing efforts by Congress to address recruiting and retention as evidenced by several provisions included in the FY-2007 National Defense Authorization Act (NDAA).

EXECUTIVE SUMMARY

The Reserve Officers Association CY-2007 Legislative Priorities are:

- Assure that the Reserve and National Guard continue in a key national defense role, both at home and abroad.
- Reset the whole force to include fully funding equipment and training for the National Guard and Reserves.
- Providing adequate resources and authorities to support the current recruiting and retention requirements of the Reserves and National Guard.
- Support citizen warriors, families and survivors.

Issues supported by the Reserve Officers Association are:

Changes to retention policies:

- Continue support incentives for affiliation, reenlistment, retention and continuation in the Reserve Component (RC).
- Permit service beyond the current ROPMA limitations.
- Ensure that new non-prior servicemembers, who are over 40 years of age, are permitted to qualify for non-regular retirement.
- Continue to improve legislation on reducing the RC retirement age.
- Permit mobilized retirees to earn additional retirement points.

Pay and Compensation:

- Seek differential pay for federal employees.
- Remove the 90-point inactive point ceiling for the duration of the Global War on Terrorism and other contingencies.
- Provide professional pay for RC medical professionals.
- Eliminate the 1/30th rule for Aviation Career Incentive Pay, Career Enlisted Flyers Incentive Pay, Diving Special Duty Pay, and Hazardous Duty Incentive Pay.
- Simplify the Reserve duty order system without compromising drill compensation.

Education:

- Place all GI Bill funding and administration belongs under the jurisdiction of the Senate and House committees on Veteran Affairs.

- Include deployed Reservists under MGIB-Active to allow qualification by accumulating active duty time; earning up to 36 months of benefit at 100 percent.
- Permit continued access to MGIB-SR education throughout a Reservists career.
- Extend MGIB-SR eligibility for 10 years following separation or transfer from the Selected Reserve in paid drill status.
- Return the MGIB-SR (Chapter 1606) payment rate to 47 percent of MGIB-Active.
- Include 4-year as well as 6- year reenlistment contracts to qualify for a prorated MGIB-SR (Chapter 1606) benefit.
- Continue MGIB-SR eligibility of Reservists who are involuntarily transferred from pay to non-pay and continue to maintain qualifying years.
- Stipulate that RC personnel can use their education benefits while mobilized.
- Transfer unused benefits for career service-members to family members.
- Allow use of the MGIB benefit to pay off student loans.

Spouse Support:

- Repeal the SBP-Dependency Indemnity Clause (DIC) offset.

Health Care:

- A moratorium on fee increases should be continued to allow Congress time to review this action.

TRICARE Prime:

- Adjustments to the enrollment fee are acceptable if tied to true health care costs.
- It is important to review the independently evaluation of the current total cost of DoD health care benefits. Such an audit will permit Congress to validate proposals made by all parties.
- Cost-sharing adjustments should be spread over at least five years to permit household budgets to adjust.
- Annual increases should **not** be tied to the market-driven Federal Employee Health Benefits Plan (FEHBP).

TRICARE Standard:

- ROA does not endorse an annual enrollment fee for either DoD or VA beneficiaries.
- If TRICARE Standard requires beneficiary enrollment, it should be only a one-time minimal administrative fee.
- Adjustments to TRICARE Standard should be made to the deductible.
- Because of larger co-payments of 25 percent after the deductible, the costs of TRICARE standard must to be analyzed from a total cost rather than initial cost perspective.
- TRICARE Standards cost deductible automatically adjusts with escalating health care costs.
- Family Premiums and deductible for a Tier I TRS operational Reservist are $3,336 per year for CY2007 compared to a proposed combined cost of $1,120 for

TRICARE Standard in FY2008. This is inequitable. TRS should not be included in any TRICARE Standard Fee increase.

- TRICARE standard deductible increases should not be rolled over into TRS as Reservists pay more upfront.

TRICARE Reserve Select (TRS):

- Request a study to explain why there is such a high drop from TRS.
- Continue to improve health care continuity to all drilling Reservists and their families by
  - providing an option of DoD paying a stipend toward employer's health care.
  - allowing demobilized Reservists involuntarily returning to IRR tier I TRS coverage.
  - allowing demobilized Retirees to qualify for tier I TRS coverage.
  - allowing demobilized FEHBP eligible to qualify for tier I TRS coverage.
- Extend military coverage for restorative dental care following deployment as a means to insure dental readiness for future mobilization.
- Advocate that physicians who accept Medicare must accept TRICARE.
- Gray area retiree buy-in to TRS.
- Employer health care option as an additional option to TRS subsidized by DoD.

On Pharmacy Co-payments:

- ROA believes higher retail pharmacy co-payments should not apply on initial prescriptions, but on maintenance refills only.
- ROA supports DoD efforts to enhance the mail-order prescription benefit.

Only issues needing additional explanation are included below. Self-explanatory or issues covered by other testimony will not be elaborated upon, but ROA can provide further information if requested.

PAY AND COMPENSATION DISCUSSION

Cost of a Reserve Component Member: Attention is being focused on the personnel costs of maintaining a military force. The Reserve Component (RC) remains a cost effective means for meeting operational requirements. Most pay and benefits are given on a participating basis only. The tooth-to-tail ratio is better in the Guard and Reserve than it is on Active duty. There are savings because the infrastructure and overhead costs are far less in the Reserve Component.

Retirement costs are also typically only one-fourth of an active duty retirement. Health care costs have been improved yet are supported by cost sharing from Reservists with full TRICARE benefits only starting at age 60.

While much has been made of the non-pay benefits provided to military members, the return on investment for a RC member is an offset to the non-pay compensation of

RC. The military profits from the civilian employment training and personal experience that is brought into the military from the private sector.

Creative thinking and innovation and have long been a historical contribution by Reservists to the military. Business and management techniques are also an additional benefit. For example, the Pentagon is relying on Reservists to introduce "Lean Six Sigma" into the Department of Defense, which is reducing consultant costs and speeding-up business transformation within DoD.

Effective use of the Guard and Reserve is not simply an issue of idealism. It is also about money and fundamental national policy. The cost of each service's Reserve Component before mobilization is about five percent of that Service's budget, making the National Guard and Reserve a way for the country to meet its manpower requirements in times of great need at a fraction of the cost of maintaining a much larger full-time volunteer force.

Efforts to compare day-to-day costs between Active and Reserve members are pointless. Costing is a challenge, annual duration is nebulous, and generated numbers are comparing apples to oranges. It is intuitively obvious that an all-volunteer Active duty force is expensive to maintain, where the Reserve is a budget balancer.

The United States has been able to augment our armed forces with more than a million members of the Guard and Reserve who are capable of conducting combat operations side-by-side with the Active Component in every service.

This augmentation has bought the Pentagon time to implement a transformation and rebalancing of the Active Duty Force. With a capable Reserve Component when the Global War on Terrorism (GWOT) began, the U.S. was also able to continue fielding an all-volunteer force which was intended to provide national security as a peacetime, inter-war force.

In the GWOT, we are fighting the first truly sustained conflict with our all volunteer force, and we are doing so without recourse to a draft because of more than 500,000 men and women of the National Guard and Reserves who have surged to the battle front to augment and reinforce our active forces. Keeping both components of that force together for future service requires a sustained recruiting and retention effort, which requires the appropriate pay and compensation.

PROPOSED LEGISLATION

ROA crafted this year's testimony to address issues to support recruiting, retention and incentives to encourage mobilization. Consideration has been given to budget concerns and the acknowledgement that there could be non-pay solutions.

Retirement: Five years ago, members in Congress first proposed legislation to lower the retirement age. In both sessions of the 109th Congress, the Senate offered this legislation

as an amendment to the National Defense Authorization Act, only to have it removed during conference.

Twelve proposals for early retirement were introduced in 109th Congress. Eight are for early retirement for Reservists at age 55, two were for a tiered reduction of one year for every two years served over 20 years of service, and the last was three months reduction in the retirement age for every 90 days in support of a contingency operations.

ROA recognizes the expense of the Age 55 proposals. This would be an all-inclusive, increase in retirement and health care costs at another 33 percent, and provide little incentive besides patriotism and professionalism to serve beyond 20 years.

The tiered system rewards senior enlisted and officer leadership that are now permitted longer tenure than middle-grade leaders. ROA could support this concept if the current ROMPA limitations for officers (O-3 and above) and higher tenure policy for enlisted (E-5 and above) were changed to permit optional service up to 30 years for serving Reservists without penalty for non-promotion.

Basing earlier retirement on mobilization in support of contingency orders after 9/11 exclude numerous individuals who have supported the GWOT under different types of orders, and others who are providing contributing support that permits Active duty personnel to be deployed. It also overlooks the fact that the Army has been recalling Reservists since 1995, and the Air Force, Navy and Marines since 1997. The National Guard has provided a security force in the Sinai as early as 1994.

1. **ROA proposes an early retirement plan that is based on accruement of retirement points.** Early retirement should not be based on the type of service, but on the aggregate of duty. It shouldn't matter if a member's contributions were paid or non-paid; on inactive duty or active duty for training, special works or for mobilization.

RC members earn one point toward retirement for each Reserve training drill. They can also earn one point for every day of active duty performed. An Active Duty year is measured as 360 points.

The average Reservist retires has been retiring at 24 years earning about 2900 points.

ROA modeled a retirement base on that number of years of service. In addition, an assumption was made that a Reserve Component norm would be 4 years of active duty before affiliation in the RC. A matrix was developed using an 85-point year for inactive years. For every additional year of active duty, the RC member can "buy down" his or her retirement by another year. (360-85 = 275 additional days to "buy down" a year.)

By multiplying 85 points (x) 40 years included in the new pay chart, 3,400 points became the early retirement threshold. To meet the minimum, a RC member would have served an equivalent of 9.5 years on Active duty.

ROA proposes the following table which delineates ranges for earlier retirement.

Eligible Retirement Age	Pts Range
60	3,399 or below
59	3,400-3,674
58	3,675-3,949
57	3,950-4,224
56	4,225-4,499
55	4,500 or above

This approach provides the Guard or Reserve members with an element of personal control to determine when they retire and will encourage increased frequency of service and service beyond 20 years.

2. **With changes in the maximum recruitment age, ROA urges Congress to ensure that new non-prior servicemembers, who are over 40 years old, are permitted to qualify for non-regular retirement.** While Congress took action to extend the military Mandatory Retirement Age to 62 years, services aren't necessary electing to increase their MRA policies. Some critical occupational skills are being mandatorily retired when individuals could continue to contribute. If for example, the Federal Aviation Administration (FAA) is considering a proposal to raise the mandatory age of retirement for commercial airline pilots to 65, why should air transport pilots have a similar threshold?

3. An additional problem has arisen for O-4 officers who, after a break in service, have returned to the Reserve Component. After being encouraged to return a number of officers find they are not eligible for non-regular retirement. When reaching 20 years of commissioned service they find they have only 15 good federal years. Current policy allows these individuals to have only 24 years of commissioned time to earn 20 good federal years. **ROA urges Congress to make changes to allow O-4s with 14 to 15 good federal years to remain in the Reserve until they qualify for non-regular retirement.**

Pay and Service Recognition:

1. *Differential Pay for Federal Reservists*: The federal government is one of the largest employers of Guard and Reservists. While it asks private employers to support deployed employees and praises employers who pay the differential between civilian and military salaries, the federal government does not have a similar practice. It should be setting the example. Federal pay differential should be viewed as a no cost benefit, as this pay has been budgeted to federal agencies before the individual Guard or Reserve member is recalled. As the pay differential will be less that the budgeted pay, there will be a net savings. Because of this, ROA feels that each federal agency, and not the Department of Defense, should pay this differential. **ROA urges Congress to enact legislation that**

would require a federal agency to pay the difference between the federal government civilian and military pays of its Reservist-employees who are mobilized.

2. *Removal of the 90-point ceiling on inactive points*: Guard and Reserve members are serving more inactive duty days than required as the minimum. Many units need added days of support that exceed the authorized levels for paid drill. Senior officers and enlisted are putting in additional administrative time to support Reserve units or active gaining command. Additional requirements exist for professional leadership training that is not accounted for in the regular schedule. During the GWOT, the ceiling limit should be removed from accruing inactive points.
ROA urges Congress to remove the 90-point inactive point ceiling for the duration of the Global War on Terrorism and during other contingencies.

Education:

1. *Montgomery "GI" Bill-Selected Reserve (MGIB-SR):* To assist in recruiting efforts for the Marine Corps Reserve and the other uniformed services, **ROA urges Congress to reduce the obligation period to qualify for MGIB-SR** (Section 1606) from six years in the Selected Reserve to four years in the Selected Reserve plus four years in the Individual Ready Reserve, thereby remaining a mobilization asset for eight years.

2. *Extending MGIB-SR eligibility:* Because of funding constraints, no Reserve Component member will be guaranteed a full career without some period in a non-pay status. Whether attached to a unit or as an individual mobilization augmentee, this status represents periods of drilling without pay. BRAC realignments are also restructuring the RC force and reducing available paid billets. Eligibility should extend for 10 years beyond separation or transfer out of a paid billet.

Under current law individuals who are no longer in paid billets lose their MGIB-SR benefit. **ROA urges Congress to change the law to continue MGIB-SR of Reservists who are involuntarily transferred from pay to non-pay status and continue to maintain qualifying years.**

HEALTH CARE DISCUSSION

ROA applauds the efforts by Congress to address the issue of increasing Department of Defense (DoD) health care costs and its interest to initiate dialogue and work with both the Pentagon and the beneficiary associations to find the best solution.

The health care issues that are before us are not black and white. No single source for solution is the best one. Outreach to many groups should be encouraged to solicit various concepts. ROA favors open dialogue and the generation of new ideas in support of the best solution. We hope that this hearing is just one step in a series of discussions toward finding an accord.

Health care services are vital to keeping the nation's military force strong and ready. It is also a deferred benefit and recognition of retired members for their service to the nation. **ROA strongly urges that when all cost-sharing is finally taken into account, our beneficiaries must still view DoD health care as an enhanced benefit when compared to the private sector.**

Increasing the cost-share of DoD health care beneficiaries is admittedly an emotional issue. Yet the nation and the Department of Defense are faced with ever increasing health care costs. Because of the dynamics involved, this is an issue that should not be rushed.

ROA urges a moratorium on fee increases should be continued to allow Congress time to review this action.

TRICARE PRIME:
ROA clearly understands that health care costs must be brought back into alignment and that some cost will have to be borne by retirees and families of serving members, both Active and Reserve.

While it is important to sustain the DoD health care benefit as a deferred benefit for our serving Active and Reserve Component members and their families, it is not necessary to do two quick increases "overnight" in the TRICARE fee schedules.

The operational Active and Reserve force and their families deserve the best, both while serving and into retirement. To preserve the top health care program in the nation as a DoD benefit, the Reserve Officers Association is a proponent of cost-sharing.

ROA members are struggling with what is the best approach. Some suggest a formula based on raising TRICARE fees annually based on the level of retiree COLA, some want to fix it to some other index, while others would have it a fixed percentage of retirement.

ROA's is creating an adhoc committee to explore different options and make a recommendation to our National Convention by the last week in June.

Under a freeze on fees, the current active duty retiree beneficiaries might continue paying a low cost-share, but the next generation, who is currently serving, would end-up paying more for their retirement programs. As with any deficit, the medical expenditures of the current generation would be cost-shifted to the next.

TRICARE Standard: The Reserve Officers Association has concerns with suggested enrollment fees and deductible increases for TRICARE Standard. TRICARE Standard is the system on which TRICARE Reserve Select is based. DoD Health Affairs and its contractors have benignly neglected TRICARE Standard at best.

While offered as an option to TRICARE Prime to active duty retirees, TRICARE Standard (TRS) is the required choice for serving Reservists and may be the health care

plan of choice for Guard and Reserve retirees between the ages of sixty and sixty-five because most live outside the TRICARE Prime network of health care providers.

These geographically removed areas have fewer authorized TRICARE providers. It becomes incumbent upon the TRICARE beneficiary to find a physician that accepts TRICARE Standard and often the beneficiaries must administer their own TRICARE health plan. Because of its costs and problems with availability, TRICARE Standard can only be viewed as DoD's "basic model" health care program.

TRICARE Prime is DoD's voluntary health maintenance organization (HMO), while TRICARE Standard is DoD's preferred provider organization (PPO) plan and a fee for service plan.

Ironically, TRICARE Standard, which was intended by Congress to be the CHAMPUS replacement, has become more expensive than TRICARE Prime, even without DoD's suggested enrollment fee increases. With a $150 deductible for singles and a $300 deductible for families, TRICARE Standard beneficiaries pay co-payments (cost-share) of 25 percent per visit after the deductible.

For a healthy family, TRICARE Standard can be low cost, if they don't use the health care benefits, which is why it should remain a fee for service. If a family has frequent visits, costs under TRICARE standard will surpass those of TRICARE Prime. By adding a $140 - $560 annual enrollment fee and increasing the annual deductible, TRICARE standard costs are being aligned with those of TRICARE PRIME. This is making the down payment on the "basic model" Standard as expensive as the "fully loaded" Prime.

	TRICARE Prime Enrollment Fee Single/family	TRICARE Standard Enrollment + Deductible Single/Family
E-6 and Below	$325/$650	$325/$650
E-7 thru E-10	$475/$950	$385/$770
Officers	$700/$1,400	$560/$1,120

The Reserve Officers Association does not endorse annual enrollment fees for individuals who don't use the health care plan, whether it is DoD or Department of Veterans Affairs (VA).

ROA has never objected to requiring a TRICARE enrollment, as this would include those service members and retirees who don't use the TRICARE benefit. Rather than an annual fee, this can be handled by a one time fee to cover administrative costs; perhaps in the range of $25 – $50, although this is atypical of the commercial market which charges only monthly premiums.

If increases were required for TRICARE Standard, ROA would rather see an emphasis on deductible costs rather than an annual enrollment fee.

We should also examine the levels of proposed deductibles. As reported in the Kaiser survey, in the most common type of plan – preferred provider organization (PPO) plans – the average deductible for in-network services was $323 for single coverage and $679 for family coverage. Yet, 44 percent of them have plans requiring co-payments of $20 or $25 for physician visits and prescription drugs, far less than the TRICARE Standard's 25 percent co-payment.

Annual premium increases: DoD wants to tie annual increases to the premium increases of the Federal Employee Health Benefit Plan (FEHBP.) According to a Kaiser Family Foundation survey released in September 2005, the average premium growth rate in 2005 year was 9.2 percent. This outpaced both the growth in wages (2.7 percent) and inflation (3.5 percent). The FEHBP increased its premiums by 14.5 percent on average. FEHBP has had double-digit increase for each of the last five years. Such disparity between increased health care costs and FEHBP premium increases will cause the retiree beneficiary cost share to rise beyond 27 percent.

TRICARE Reserve Select

TRICARE Reserve Select family premium (Tier I) is based on a Federal Employee Health Benefit Plan premium base of $10,834. Family premiums and deductible for a Tier I TRS operational Reservist are $3,336 per year for FY2006 compared to a proposed combined cost for retired officers of $1,120 for TRICARE Standard in FY2008. Single TRS combined costs $1,272 compared to the suggested TRICARE standard cost of $560. ROA finds this to be inequitable.

TRICARE Reserve Select is evolving into a stand alone health plan. While it uses the TRICARE standard as an engine, its fees are based on FEHBP premiums, so it is no longer a TRICARE standard program. TRICARE standard fee increases must not be rolled over into TRS.

ROA Suggestions for Enhancing TRICARE Reserve Select:

1. Request a study by GAO or another qualified agency to explain why there is such a high drop out from application to acceptance in TRS. Over 40,000 have applied, but only 9,500 have been accepted. (See Appendix B)

2. Continue to improve health care continuity to all drilling Reservists and their families by
   - providing an option of DoD paying a stipend toward employer's health care.
   - allowing demobilized Reservists involuntarily returning to IRR tier I TRS coverage.
   - allowing demobilized Retirees to qualify for tier I TRS coverage.
   - allowing demobilized FEHBP eligible to qualify for tier I TRS coverage.
3. Extend military coverage for restorative dental care following deployment as a means to insure dental readiness for future mobilization.
4. Advocate that physicians who accept Medicare must accept TRICARE.

5. Gray area retiree buy-in to TRS. Gray-area Reservists are currently in limbo between TRS while drilling and TRICARE with retirement-in-pay. TRS buy-in would be at the full monthly cost, but at least this would provide a continuity of coverage for those waiting for TRICARE retirement.
6. Employer health care option: The Reserve Officers Association continues to support an additional option where DoD pays a stipend to employers of deployed Guard and Reserve members to continue employer health care during deployment. Because TRICARE Prime or Standard is not available in all regions that are some distance from military bases, it is an advantage to provide a continuity of health care by continuing an employer's health plan for the family members. This stipend should be equal to DoD's contribution to Active Duty TRICARE.

CONCLUSION

ROA reiterates its profound gratitude for the progress in providing parity on pay and compensation between the Active and Reserve Components, yet the sub-committee also understands the difference in service between the two components.

ROA looks forward to working with the personnel sub-committee where we can present solutions to these and other issues, and offers our support in anyway.

QUESTIONS AND ANSWERS SUBMITTED FOR THE RECORD

MARCH 1, 15, 2007

QUESTIONS SUBMITTED BY DR. SNYDER

Dr. SNYDER. Retention trends in the Reserve components show evidence of erosion over the past year. Given the recent change in policy regarding the termination of the 24 month cap on mobilization during the declaration of an emergency associated with the War on Terrorism, Reservists are now subject to multiple tours on active duty. What do you think will be the reaction of reservists to this change in policy and how will it affect retention?

Mr. HANSON. At best the reaction will be a wait and see; the worst reaction will be angst.

With current incentives to enlist and reenlist on Active Duty, those Reservists in the Army and Marine Corps who are willing to be mobilized are going back on Active Duty to receive the incentive bonus. The remaining Reserve population will be those more likely to be affected by multiple tours on active duty.

Army and Army Guard Reservists are pleased that deployments will be reduced to 12 months from 18 to 21 month mobilizations. Feedback to the Pentagon was that employers found an 18 month deployment not manageable.

The Pentagon hopes that a 1 year mobilization, 5 year at home rotation is an ideal number to retain Reservists. (Yet there is already talk about requiring a stop loss in the 4th year to insure Reservists mobilize).

The test will be time. If the Pentagon can't meet the goal of 1:5, Reservists will lack confidence in Pentagon leadership, and retention will erode. If mobilizations last beyond twelve months, retention rates will drop.

One to two military tours are doable; the question will be the impact of a third or fourth tour. Pressures from civilian employers and family members will determine retention rates. Repeat mobilization will add stressors.

Trust is a key factor. This trust was already shaken by the change in DOD policy from 24 months accumulative to 24 months consecutive (to align with the law). Additionally, the change in the announced policy by Secretary of Defense Gates between January 19, 2007 and April 11, 2007 has created further doubts. Changing the compensation for extended deployment duration from a cash compensation to administrative leave, has annoyed a number of Reservists.

Recent BRAG decisions have also increased the burden on drilling Reservists. Promotions tend to be to vacancies, requiring members to travel greater distances at greater personal expense. Patriotism is quickly offset by negative cash earnings. A day of travel in each direction turns a weekend training into a four day exercise, complicating matters with an employer.

The general reaction is that DOD mobilization policies are for the good of the services, and not for the individual.

Retention is the greatest challenge in the mid-level ranks: E6 thru E8 and O–3 thru O–5. Current cash incentive programs do not offset the pressures of dual careers, and maturing families that face these Guard and Reserve members. If the decision isn't made to separate between 10 and 15 years, then many are leaving when they qualify for retirement at 20 years.

TRICARE Reserve Select and the ability to earn an earlier paid retirement are the incentives that will encourage these middle managers to stay longer.

While TRS will be optimized on 1 October 2007, TRICARE Standard (which is the mechanism for TRS) needs to be made into a premium health program that Reservists can use throughout the nation. With portable healthcare, many Reservists will have an incentive to remain.

With many members retiring at around age 40, a retirement at age 60 is not an attractive investment on personal time. RC members should have the ability to earn an earlier retirement by amount and the duration of service.

Benefits and compensation that originated with a strategic Reserve 60 years ago need to be updated for a Reserve that has evolved into an operation force.

Dr. SNYDER. There is a legislative initiative in the fiscal year 2008 budget to simplify special and incentive pays by combining them into fewer categories. Do you support the proposal?

Mr. HANSON and Mr. JONES. Simplifying pay and incentive systems, while an ideal, should never result in the exclusion of individuals or skillsets for which the original incentive was intended.

Dr. SNYDER. What are the core Reserve family support programs that you believe are critical to families that are not provided now, but need to be made available?

Mr. HANSON. The presumption should not be that all families own computers. A family support system that is internet driven is not outreach. The Reserve Component services have to get out and contact the families. Families should be able to talk to people. Regional and state coordinators need to be assigned. Cooperation between the services should be emphasized as there is not a need for parallel organizations.

Dr. SNYDER. Given that the solutions for many of the retiree and survivor issues involve increased entitlement spending, which remains a very challenging fiscal reality for the Congress, what alternatives might be available to avoid or reduce entitlement spending? How may these strategies be applied to concurrent receipt, survivor benefit plan, and reserve retirement issues for a number of years?

Colonel STROBRIDGE and Mr. JONES. The **Coalition and Alliance** shares the Subcommittee's frustration that entitlement spending rules have constrained the Subcommittee's capacity to redress these severe, multiple inequities. It has not been easy to see these rules applied to military compensation programs when there have been so many instances in which Congress has waived the same rules to approve other, far larger, entitlement program and revenue changes. Nevertheless, the Coalition has continually expressed its willingness to work with the Subcommittee to find ways to continue to make progress on these important issues. One way is to prioritize needs. On concurrent receipt, we believe the most severe inequities involve the ineligibility of severely injured members who are forced into medical retirement before attaining 20 years of service, and the exclusion of unemployables from eligibility for immediate, full concurrent receipt. On the Survivor Benefit Plan, one alternative would be to phase out the DIC offset over a period of years. On the issue of Reserve retirement, the Coalition has supported a reduced-cost option to reduce the Reserve retirement age by 3 months for every 90 days mobilized since 9/11/01.

Dr. SNYDER. Both of your organizations would support the lifting of product limitations established in the ASER. Given that the jewelry and furniture industries are still comprised of small local retailers in many sections of the country, how do you propose to protect the interest of those businesses while lifting the ASER restrictions on jewelry and furniture in the military exchanges?

Mr. MCALISTER. To the extent that the premise of this question is accurate, the Congress has established a methodology to deal with these concerns. In the absence of a credible threat to small, local retailers, the presumption should not be to restrict the military member and the military family.

Military installations routinely become key parts of their respective communities. In addition to being an excellent source of employment, military installations are good neighbors and military families, more often than not, live in the community and have an unquestioned positive impact on the local economy.

It isn't equitable to continue to recognize this overall good by universally restricting consumer choice solely because the individual carries a military identification card in his/her wallet. The question appears to assume incorrectly that a threat to local small business will arise in every case. That simply is not the case.

Lifting the existing restrictions will certainly encourage military beneficiaries to show on the installation, where the "profits" are returned to Service members in the form of MWR dividends. Beyond that, and unlike the environment outside the installation's gate, the interest rate charged for credit purchases is reasonable. Star Card payments can be suspended when the Service member is deployed and the stress on the family is greater. And when a Service member pays with his or her life, Star Card account balances are eliminated. ASER restrictions take these options and advantages away from the Service member.

The ALA position is that restrictions should be lifted and that military Service members and their families should be allowed to shop freely with maximum choice and personal discretion when shopping for products currently restricted by the ASER.

Dr. SNYDER. Your statement makes the case that DOD has been given sufficient time to develop a common base access card and process to give vendor employees easier and less costly base access. Given that the establishment of security standards are the responsibility of the local commanders, wouldn't a common base access card inappropriately intrude on that responsibility? Is the burden on our retail friends so cumbersome and costly that Congress should instruct the DOD on base security matters?

Mr. MCALISTER. DOD has certainly had enough time to develop and to begin distributing a credential to vendors and other service personnel who provide a valuable service to the military community on installations around the world and who rely on reasonable access to military installations on a daily (or moderately less frequent) basis.

We admittedly do not understand fully DOD's logic behind the course it decided to pursue to get a credential into the hands of this population. An extension of the existing CAC (Common Access Card) seems to us to have been a more direct and more easily implemented solution. The CAC's chip could identify the bearer as a vendor; the limited access that that implies and a distinctive outer marking (perhaps a stripe of a bold color) could send the same message on sight.

Indeed, the proposed identification credentials being developed through outsourcing look extremely similar to the CAC. DOD appears to be taking a needlessly circuitous route to a solution.

With millions of Common Access Cards issued and currently in the hands of DOD personnel and contractors, the Defense Department has learned how to issue and make use of smart ID cards. The opportunity to take advantage of a fairly straightforward solution has apparently been missed.

As we became more aware of DOD's chosen course of action, ALA began to work closely with the only contractor we could identify who was approved by DOD and was working on a solution that will be fully compliant with HSPD–12.

Without pointing fingers or seeking to fix blame, ALA and its member companies remain extremely frustrated that the process moves forward at a pace that can only be described as glacial. At times, there appeared to be no forward movement at all.

If, however, this remains DOD's chosen course, ALA will continue to collaborate, we will continue to be part of the solution, and we will continue to be impatient with the remarkably slow movement evident in this regard.

As an aside, when we do get to the point that credentials (that are HSPD–12 compliant) can be issued, ALA's Board of Directors has decided that the credentials will be made available to ALA members at cost, as a "benefit" of membership.

We have reached this position in an environment where credentials that are not HSPD–12 compliant are available (and often sanctioned) at rates and fees that are easily described as exorbitant.

It is unfortunate that many installations have had no choice, but to sanction these overpriced options. Installation commanders are under pressure to maintain security while ensuring the installation remains viable as a community where people live and conduct commerce.

Just as the Department issues a Department-wide credential for active duty, Reservists, family members, retirees, contractors, and others, it should do the same for vendors. Just as the existing Department-wide credentials do not "inappropriately intrude" on the responsibility of local commanders, neither would our proposal. In fact, commanders would be aided by our proposal. In no case would anything we propose interfere with the ultimate authority of a commander to make binding decisions regarding base access.

Dr. SNYDER. You both would oppose any proposal to force the consolidation of the exchanges to increase cooperation on certain business functions. Given the history that would suggest that the exchanges are not inclined to seek opportunities to cooperate, why do you believe that they are now prepared to move forward?

Mr. MCALISTER. Rear Admiral Cowley (Commander, NEX) has observed that one of the benefits of the Unified Exchange Task Force effort is that the Exchanges now know a lot more about each other's business practices and operations. As a result, the stage is better set for the Exchanges to find common ground upon which to cooperate with the net result being better business practices and a better benefit for the Service member and the military family.

The current generation of Exchange leadership gives every indication that they see the benefits of cooperative efforts—both individually and collectively. As these gentlemen move on in their professional and personal lives, ALA remains hopeful that their successors will see the wisdom of collaboration to the extent that it is mutually beneficial.

Finally, as Mr. McHugh insightfully alluded during the recent hearing when the Exchange leaders testified, if cooperative efforts are substantive and their results are not fruitful, there is nothing to preclude another effort by the Department or others to consolidate the Exchanges.

Dr. SNYDER. There is evidence that the exchanges and the commissary service are now discussing options for operating combined stores with both exchange and commissary goods being sold under one roof. From your business perspective, do you believe it could be efficiently accomplished? What are the sticking points that pre-

vent this consolidation and do you believe the necessary compromises can be achieved?

Mr. MCALISTER. There are two refreshing aspects to this initiative that deserve mention. The first is that DeCA and the Exchanges are discussing the possibility from the perspective of improving the benefit (and the shopping experience) for the Service member and the military family. As long as this remains the focus, this effort will not go off track. The second positive aspect is the apparent attitude with which all parties are proceeding: one of "can do".

There are several obstacles to making this a reality. A short list includes: the APF/NAF dichotomy, personnel systems and payroll differences, credit card transaction merchant fees, and the differing store operation costs between grocery and department stores. There are certainly others, but none are insurmountable, if all concerned truly have a common goal. Whether the solutions lie in statutory or policy changes, a mature, responsible approach will certainly convince the Congress and/or the Department of Defense that the ideas are sound and worthy of support.

Finally, other difficulties that would have been "show stoppers" a few short years ago, can now be addressed formally and with technology; again, if all concerned want to reach consensus and a solution.

Dr. SNYDER. What is the greatest concern for families who are being impacted by the high operational tempo? Is additional compensation enough to offset the stress of deployments?

Mrs. RAEZER. The greatest concern for families is the effect, both ongoing and future, of frequent, long deployments on the stability of family relationships and well-being. Families tell us the impact of deployment is cumulative—each deployment brings different stresses that are added to the unresolved stresses of the previous deployment and reunion. Unpredictability also takes its toll to families who are never sure when the service member's departure date for deployment will be accelerated or when the service member's time in theater will be extended. Families report the service member's time at home between deployments is too short for the family to recover fully from the deployment. Service members are barely home, it seems, before they are training to go again. Families are especially worried about the effects of separation and deployment stress on their children. They also fear the possible mental health issues that will affect the service member on his or her return. A consistent level of support services, including mental health services, must be available at all times, not just when the service member is deployed.

Additional deployment-related compensation helps a family deal with the additional expenses and financial stressors often associated with a deployment—additional child care, mailing packages, larger phone bills, household and auto repair expenses. However, it does nothing to relieve the far greater stresses on spouses and children caused by their worry about the service member's safety and the long-term effects of family separation on family well-being. Additional money may make deployment more palatable for some, who see the extra cash as a way to save for long term financial security or to pay off debts, but it does not reduce the underlying stress families experience when someone they love is deployed to a war zone. In some cases, the offer of large tax free retention bonuses in theater poses a difficult choice for service members who know the toll deployment takes on themselves and their family, but also crave the financial security this money would bring. The consequences can be complex for the family when a service member, without the benefit of a face to face family discussion, makes the decision in theater to re-enlist and accept the bonus even though they know this decision practically guarantees they will have to deploy again.

Dr. SNYDER. Are DOD and the Services doing enough to support spouse education and, if not, what more needs to be done?

Mrs. RAEZER. DOD and the Services have made greater strides in the area of spouse employment than spouse education, but are now beginning to do more to support military spouses' educational goals. The biggest task is increasing the understanding of states and institutions of higher learning about the unique educational needs of military spouses. Because of the family demands of deployments and frequent moves, military spouses are more likely to be part-time students. They need to be able to transfer credits from school to school with ease and need access to scholarships or other financial support for which part-time students are eligible. Military spouses are very focused on obtaining education that will launch them in portable careers. DOD must do more to work with the Department of Labor and private entities to provide opportunities for military spouses to obtain job certifications. The Services must more consistently open up the support of their education centers to military spouses, which means they must not cut essential staff in these centers. Because many of the most significant barriers to military spouse education are at the school or state level, we have been pleased DOD has become more proactive in

making states aware of the educational needs of military families. States control issues such as eligibility for in-state tuition and licensing and certification requirements for many positions. They must be encouraged to become more military-friendly and ease the educational and employment transitions of military spouses.

We have been watching the Army pilot allowing service members eligible for certain retention bonuses to choose to transfer up to one-half of their Montgomery GI Bill benefit to spouses. Since a lack of financial assistance is one of the key barriers to military spouse education, military families often ask why a service member cannot transfer some of their GI Bill benefit to family members.

Dr. SNYDER. TRICARE's physician payment rates are tied to Medicare's rates. I understand that Medicare's rates may be cut in 2008. What will the impact be on beneficiaries if TRICARE's rates are reduced as a result of the Medicare cut?

Mrs. RAEZER. NMFA believes that cuts in Medicare, and thus TRICARE, rates will make providers more reluctant to treat TRICARE patients. While some may continue to treat current TRICARE patients, they may balk against taking any new ones, which could be critical because of the military's mobility and because so many uniformed medical personnel are being deployed, thus reducing capacity of military treatment facilities. We've been pleased that some Governors have reached out to doctors in their states, urging them to accept TRICARE patients despite the low reimbursement rates. We need doctors everywhere to participate in TRICARE so the families of deployed National Guard and Reserve service members and the members and families now paying premiums for TRICARE Reserve Select coverage have access to providers. We are already hearing from some states that reduced Medicare/TRICARE reimbursement rates for mental health services are causing some providers to cut their TRICARE patient loads. While TRICARE is now a very fast payer in most cases, there are still administrative burdens that, tied with lower reimbursement rates, will discourage providers from accepting military families as patients.

Dr. SNYDER. Are DOD and the services doing enough to support spouse education and, if not, what more needs to be done?

Mrs. RAEZER. DOD and the military Services have made tremendous strides in supporting military spouse employment by entering into partnerships with corporate employers and working with states to ease the transferability of professional licenses and to provide unemployment compensation to spouses who must quit their job when their service member receives Permanent Change of Station orders. However, support for military spouse education has been more problematic. Military spouses clearly recognize the importance of education and are driven by a personal commitment to achieve their education goals and improve their families' futures by finding employment in their chosen field. The military lifestyle—frequent moves and deployments—creates barriers to their educational advancement. The challenge to complete a degree before the next move or continue their education during a deployment forces family decisions about keeping families together, putting spouses' education goals on hold, or changing their education paths mid-stream.

DOD be prepared to assist military spouse-scholars in overcoming the obstacles they face: balancing education, work, and family; overcoming the high cost of education pursuits; dealing with lengthy and multiple deployments, frequent moves, and the lack of access to or understanding of available support resources. It must also work with the states and with educational institutions to ensure spouse-scholars have a level playing field with other students. DOD must make more part-time child care available so that military spouses can pursue their education. It must improve outreach by the Service installation education centers to ensure spouses know of the assistance available to them. It must also continue its work with the states to expand in-state tuition benefits. NMFA would also ask Congress to consider an expansion of the limited authority for service members to transfer some of their Montgomery GI Bill to their spouses as a way to help the entire military family.

Dr. SNYDER. Given that the solutions for many of the retiree and survivor issues involve increased entitlement spending, which remains a very challenging fiscal reality for the Congress, what alternatives might be available to avoid or reduce entitlement spending? How may these strategies be applied to concurrent receipt, survivor benefit plan, and reserve retirement issues for a number of years?

Colonel STROBRIDGE and Mr. JONES. The Coalition shares the Subcommittee's frustration that pay-go spending rules have constrained the Subcommittee's capacity to redress these severe, multiple inequities. It has not been easy to see these rules applied to military compensation programs when there have been so many instances in which Congress has waived the same rules to approve other, far larger, entitlement program and revenue changes. Nevertheless, the Coalition has continually expressed its willingness to work with the Subcommittee to find ways to continue to make progress on these important issues. One way is to prioritize needs. On concur-

rent receipt, we believe the most severe inequities involve the ineligibility of severely injured members who are forced into medical retirement before attaining 20 years of service, and the exclusion of unemployables from eligibility for immediate, full concurrent receipt. On the Survivor Benefit Plan, one alternative would be to phase out the DIC offset over a period of years. On the issue of Reserve retirement, the Coalition has supported a reduced-cost option to reduce the Reserve retirement age by 3 months for every 90 days mobilized since 9/11/01.

Dr. SNYDER. I think we can all agree that this is a very difficult recruiting and retention environment. Do you believe that the services are well postured to recruit the quality force that you believe is needed?

Colonel STROBRIDGE. It's difficult to assert that the Army is well-postured to do that. In the current environment, it's clear that the Army is straining to meet its recruiting numbers and has had to ease some quality norms in order to make its goal. We certainly don't fault the Army for doing that; we believe they have done well to meet their goal under these conditions. We'd prefer that they didn't have to relax quality guidelines to do so, but we expect that trend will continue this year.

Dr. SNYDER. I noted in your statement that you call for an enhanced pay raise of at least 3.5 percent, .5 percent above the budget request. By my calculation, the pay gap has been reduced to 3.9 percent. While I recognize that additional compensation is always a useful benefit, isn't the 3.9 percent gap just a rough measure of comparability and aren't we in the comfort zone so long as we remain close to private sector pay raises?

Colonel STROBRIDGE and Mr. BARNES. The Military Coalition believes strongly that pay comparability with private sector workers is a fundamental underpinning of the All-Volunteer Force. From that standpoint, we either hold to the comparability standard or we don't. Unfortunately, "close" is in the eye of the beholder. In the past, whenever we've rationalized deviating from the comparability standard, this has inevitably led to additional deviations that ultimately created a pay gap that caused a retention problem. For the last two years, the military pay raise hasn't even matched inflation, which means that military pay has actually declined in purchasing power. Virtually every knowledgeable military personnel manager agrees that today's force is overstretched, and that isn't going to change in the near future. The whole point of the pay comparability standard is to prevent retention problems rather than being forced to react to them after they occur. By that criterion, the Coalition believes it is as important now as it has been at any time in the past to continue making steady progress toward restoring full pay comparability. Every military member knows the real meaning of "close enough for government work." That's a message we shouldn't be sending them about our commitment to their pay comparability.

Dr. SNYDER. Your statement makes clear your objection to any effort to "civilianize" the military retirement system. But what do you say to young service members who desire a more flexible retirement system that affords them greater portability and immediate cash rewards for continued service?

Colonel STROBRIDGE and Mr. BARNES. The military retirement system offers better benefits than civilian retirement systems precisely because military service entails more arduous service conditions than civilians have to endure, and earning military retirement eligibility requires service under those conditions for a period of two decades or more. The primary reason for the military's unique retirement system is its crucial role in maintaining national military readiness. There is no more evidence of its value than today's high-stress environment. If today's members with 10 to 12 years of service, facing a third tour in Iraq, had a choice to separate with a pro-rata share of their retirement, we believe the Army would be undergoing a severe retention crisis as well as a major recruiting challenge. In essence, offering vesting for reduced service actually reduces the incentive value for career service. Thus, if we had a vesting system, the military would have to offer additional incentives for continued service—in other words, the government would have to bid against itself for members' service. The Military Coalition's primary concern is maintaining a strong national defense through incentivizing career service of quality personnel. Over the last 40 years, there has been recurrent criticism of the expense of the military retirement system—enough so that the Coalition believes neither the Executive Branch nor the Legislative Branch has shown much interest in significantly increasing expenditures on military retirement. But that is precisely what would have to happen to sustain a career force under a vesting system. The alternative scenario offered by various studies, which the Coalition does not support, would be to offset those costs by extending the retirement age or other effective reductions in career compensation. The Coalition does not support cutting benefits for people who serve full careers in order to fund additional compensation for those who choose to leave service before serving full careers.

Dr. SNYDER. Given that the solutions for many of the retiree and survivor issues involve increased entitlement spending, which remains a very challenging fiscal reality for the Congress, what alternatives might be available to avoid or reduce entitlement spending? How may these strategies be applied to concurrent receipt, survivor benefit plan, and reserve retirement issues for a number of years?

Colonel STROBRIDGE and Mr. JONES. The Coalition shares the Subcommittee's frustration that entitlement spending rules have constrained the Subcommittee's capacity to redress these severe, multiple inequities. It has not been easy to see these rules applied to military compensation programs when there have been so many instances in which Congress has waived the same rules to approve other, far larger, entitlement program and revenue changes. Nevertheless, the Coalition has continually expressed its willingness to work with the Subcommittee to find ways to continue to make progress on these important issues. One way is to prioritize needs. On concurrent receipt, we believe the most severe inequities involve the ineligibility of severely injured members who are forced into medical retirement before attaining 20 years of service, and the exclusion of unemployables from eligibility for immediate, full concurrent receipt. On the Survivor Benefit Plan, one alternative would be to phase out the DIC offset over a period of years. On the issue of Reserve retirement, the Coalition has supported a reduced-cost option to reduce the Reserve retirement age by 3 months for every 90 days mobilized since 9/11/01.

Dr. SNYDER. TRICARE's physician payment rates are tied to Medicare's rates. I understand that Medicare's rates may be cut in 2008. What will the impact be on beneficiaries if TRICARE's rates are reduced as a result of the Medicare cut?

Colonel STROBRIDGE. We believe there will be a significant adverse impact on military beneficiaries if Medicare and TRICARE physician payment rates are cut in 2008, and that the impact will be even more severe on TRICARE-eligibles than on Medicare-eligibles. The reason is that TRICARE imposes even more administrative requirements on providers than Medicare does, and most providers have fewer TRICARE-eligible patients than Medicare-eligible patients. Further, TRICARE has yet to implement the payment increases implemented by Medicare for 2007 for physicians who comply with certain quality standards. All of these circumstances—lower payment levels, greater administrative hassles, and lower patient volume—lead providers to drop TRICARE patients before dropping Medicare patients. The impact will be greatest for those beneficiaries who don't live in the vicinity of military installations. Among other adverse consequences, many of our Guard and Reserve families to whom Congress has recently extended TRICARE eligibility may find themselves in the situation that local doctors will refuse to accept them as patients.

Dr. SNYDER. The President's budget proposes to increase the end strength for the Army and Marine Corps. However, the Navy and Air Force continue their personnel drawdown. What is the impact been on personnel in the Navy and Air Force as a result of the continued drawdown during a time of war?

Mr. BARNES. The inadequacy of service end strengths relative to prosecuting the war effort and other operational commitments is wearing down Navy and Air Force personnel, impacting recruiting and retention levels and service members' quality of life. We're aware of this from interaction with active duty and Reserve personnel and their spouses and key indicators such as the reappearance of the term "hollow force" in conjunction with the Guard and Reserve Commission's work, and numerous press reports and editorials about strains not only on the Army and Marine Corps but all services. The situation was also referenced in recent discussions with members of the National Academies Naval Studies Board who referenced Navy ships being understaffed due to shortages of personnel in key ratings and the need for senior enlisted personnel to cover the responsibilities for the vacant personnel in addition to their own. The Navy is assuming reduced end strength requirements before new platforms with dramatic new technologies are commissioned and put into service in the fleet. In addition, more ships are needed and may be authorized in the pending FY 2008 National Defense Authorization Act.

The Air Force budget has been restricted to the point that a reduction in personnel is necessary in order to update an aging fleet of aircraft and equipment. To meet those required reductions in our enlisted force, the Air Force instituted a date of separation rollback and employed other tools such as, restricting Career Job Reservations, reduction in accessions, and the Non-Commissioned Officer Retraining Program.

Overall, the Air Force's goal is a reduction of over 10,000 enlisted members by the end of FY07. Although difficult, the budget necessitates personnel reductions in order to ensure the Air Force maintains the equipment and right size and mix of forces to meet the fiscal and global challenges of today and tomorrow.

Significant resources are committed to the training and development of service personnel over a number of years and it's impossible to simply advertise and refill positions that have been eliminated in order to achieve budget savings to free up funds for weapons and hardware. In short, military readiness is significantly compromised when arbitrary reductions are implemented—only to have to be reinstated thereafter.

Dr. SNYDER. I noted in your statement that you call for an enhanced pay raise of at least 3.5 percent, .5 percent above the budget request. By my calculation, the pay gap has been reduced to 3.9 percent. While I recognize that additional compensation is always a useful benefit, isn't the 3.9 percent gap just a rough measure of comparability and aren't we in the comfort zone so long as we remain close to private sector pay raises?

Colonel STROBRIDGE and Mr. BARNES. The Military Coalition believes strongly that pay comparability with private sector workers is a fundamental underpinning of the All-Volunteer Force. From that standpoint, we either hold to the comparability standard or we don't. Unfortunately, "close" is in the eye of the beholder. In the past, whenever we've rationalized deviating from the comparability standard, this has inevitably led to additional deviations that ultimately created a pay gap that caused a retention problem. For the last two years, the military pay raise hasn't even matched inflation, which means that military pay has actually declined in purchasing power. Virtually every knowledgeable military personnel manager agrees that today's force is overstretched, and that isn't going to change in the near future. The whole point of the pay comparability standard is to prevent retention problems rather than being forced to react to them after they occur. By that criterion, the Coalition believes it is as important now as it has been at any time in the past to continue making steady progress toward restoring full pay comparability. Every military member knows the real meaning of "close enough for government work." That's a message we shouldn't be sending them about our commitment to their pay comparability.

Dr. SNYDER. Your statement makes clear your objection to any effort to "civilianize" the military retirement system. But what do you say to young service members who desire a more flexible retirement system that affords them greater portability and immediate cash rewards for continued service?

Colonel STROBRIDGE and Mr. BARNES. The military retirement system offers better benefits than civilian retirement systems precisely because military service entails more arduous service conditions than civilians have to endure, and earning military retirement eligibility requires service under those conditions for a period of two decades or more. The primary reason for the military's unique retirement system is its crucial role in maintaining national military readiness. There is no more evidence of its value than today's high-stress environment. If today's members with 10 to 12 years of service, facing a third tour in Iraq, had a choice to separate with a pro-rata share of their retirement, we believe the Army would be undergoing a severe retention crisis as well as a major recruiting challenge. In essence, offering vesting for reduced service actually reduces the incentive value for career service. Thus, if we had a vesting system, the military would have to offer additional incentives for continued service—in other words, the government would have to bid against itself for members' service. The Military Coalition's primary concern is maintaining a strong national defense through incentivizing career service of quality personnel. Over the last 40 years, there has been recurrent criticism of the expense of the military retirement system—enough so that the Coalition believes neither the Executive Branch nor the Legislative Branch has shown much interest in significantly increasing expenditures on military retirement. But that is precisely what would have to happen to sustain a career force under a vesting system. The alternative scenario offered by various studies, which the Coalition does not support, would be to offset those costs by extending the retirement age or other effective reductions in career compensation. The Coalition does not support cutting benefits for people who serve full careers in order to fund additional compensation for those who choose to leave service before serving full careers.

Dr. SNYDER. If Congress is only able to move forward on one issue that would have the highest impact on retirees and survivors, what would that be?

Colonel STROBRIDGE and Mr. BARNES. This is like the sword of Damocles dangling over our heads by a thread. The question on selecting one priority from many that affect military retirees and survivors will hang over us until Congress and the administration set aside the irresponsible behavior of putting non-defense, lesser priority programs ahead of defense and higher priorities within the national budget.

The issues—of eliminating the remaining inequities within the SBP program, correcting a death gratuity benefit system to ensure caregivers of minor children are not overlooked, rebalancing the USFSPA, or ending the bar on disabled military re-

tirees from collecting a full retirement—will hang over us, until congressional influence is applied, strong effort is given, and a way is found to fix the issues.

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.

It should be clear to even the casual observer that if we 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.

Dr. SNYDER. Both of your organizations would support the lifting of product limitations established in the Armed Services Exchange regulations (ASER). Given that the jewelry and furniture industries are still comprised of small local retailers in many sections of the country, how do you propose to protect the interests of those businesses while lifting the ASER restrictions an jewelry and furniture in the Military exchanges?

Mr. BECKER. It does not appear feasible for either the Armed Forces Marketing Council (AFMC) or its member firms to undertake protecting the interests of small local retailers in the vicinity of exchange stores. Other than to encourage the exchange services to limit their sales of these items to authorized patrons only, there is little else the AFMC can do. Our primary mission is to ensure that we supply consumer products to the military resale systems at the best possible prices and value. The primary mission of resale systems is to have those products available and to offer a non-pay compensation benefit to military members and tier families.

It is the AFMC's contention that further lifting of the restrictions on furniture and jewelry is both necessary and prudent, and would yield very positive results both for the patrons and the exchange services. While local retailers may lose some sales, the impact has been determined to be negligible and is far outweighed by the benefits to be gained.

Furthermore, the exchange services are to be held to operating by business standards and required to produce profits to subsidize MWR programs, they should be allowed to compete, as would any normal private sector business enterprise. It should be noted that over the years ASER restrictions have been relaxed selectively without the predicted adverse economic impact and furor from the private sector.

The construction and renovation restriction prohibits many exchange stores from stocking any furniture, and in those stores that can stock it the selection is severely limited. Furthermore, the wholesale cast limitation of $900 per unit, established ten years ago, precludes the sale of many quality brands, and within same brands, full suites (e.g., bedroom or dining room) cannot be made available, because one item within the suite exceeds the wholesale cost limitation. These restrictions are of particular concern in the face of BRAC 2005 and force realignments that will accelerate the relocation tempo for families, and in turn trigger an increase in the need for furniture purchases, particularly for those returning from overseas locations.

The prohibition on the sale of individual diamond stones exceeding one carat precludes the sale of the fastest growing segment of the jewelry business.

Given these restrictions, military families are forced to shop "outside the gate" where they encounter significantly higher prices, as well as much higher interest rates that are often presented deceptively.

By lifting the ASER restrictions placed on these product categories, military families will be able to purchase these items in the exchanges where they qualify for the unique set of terms that are available to support the exceptional conditions of military service:

- For those who pay the ultimate sacrifice, *Star Card* account balances are written off
- Deferment of *Star Card* payments and interest is available to Service members during hazardous area deployments, significantly lightening the stressful financial burden often faced by families, as well as giving peace of mind to the deployed
- *Star Card* interest rates of about 12% are significantly lower than private sector rates of as much as 20% or higher
- Patron savings are consistently 20% or higher
- Affordable delivery service
- Worldwide availability of repairs, returns, and trade-up policy on diamonds

Ultimately, the real issue is whether Service members and their families deserve to have these products available. If so, their interests must take precedence over the interests of the businesses outside the gate.

Dr. SNYDER. You both oppose any proposal to force the consolidation of the exchanges. However, you seem to be supportive of current efforts by the exchanges to increase cooperation on certain business functions. Given the history that would

suggest that the exchanges are not inclined to seek opportunities to cooperate, why do you believe that they are now prepared to move forward?

Mr. BECKER. The Armed Forces Marketing Council (AFMC) does not agree with the suggestion that the exchange services are not inclined to seek opportunities to cooperate. Despite the complexities and justifiable differences of operations, exchanges have a long history of cooperative efforts that have been under appreciated.

Informal collaboration among the exchange services has taken place for decades in some areas including procurement and supply, especially in overseas markets. A more expanded cooperative effort began in 1991 following the penning of a note by then Chairman of the Joint Chiefs of Staff, General Colin L. Powell, on a JCS memorandum regarding exchange consolidation. His note stated that exchanges were financially sound, and that the three systems should be challenged to achieve savings through "collaboration rather than consolidation."

The Exchange Cooperative Efforts Board (ECEB) was established to develop and implement mutually beneficial operating efficiencies. Specific areas addressed have included, merchandising, store operations, non-retail operations, distribution and logistics, finances, human resources, information technology (IT), and administration and organization. To better facilitate the work of the ECEB, the exchange services have positioned staff members at each other's headquarters whose mission is devoted solely to cooperative efforts. The AFMC believes there are positive, practical steps that will improve the foundation on which collaborative efforts will advance in the future.

In April 2006, the exchange commanders signed a joint letter to their respective Boards of Directors committing themselves to a new level of commitment through direr leadership involvement in achieving cooperative working relationships. Some successful examples of cooperative efforts include the establishment of the combined catalog programs, internet shopping and fulfillment operations, and Star Card programs.

Given the above efforts and achievements, the AFMC is convinced the exchange services are sincerely committed to seeking continued opportunities to cooperate in appropriate business functions.

Dr. SNYDER. There is evidence that the exchanges and the commissary service are now discussing options for operating combined stores with both exchange and commissary goods being sold under one roof. Front your business perspective, do you believe it could be efficiently accomplished? What are the sticking points that prevent this consolidation and do you believe the necessary compromises can to achieved?

Mr. BECKER. Commissaries and exchanges as they currently operate are viewed as "premier quality of life benefits" that are highly valued by military members and their families and contribute to recruiting, retention, and readiness.

It is the contention of the Armed Forces Marketing Council (AFMC) that any effort to combine the operation of commissaries and exchanges could reduce the value of the benefit by shifting the sale of many commissary items, now sold at cost, at marked up prices. The Council does recognize that under certain circumstances, such as base closures, it might not be economically feasible to operate and maintain separate, stand-alone commissary stores. This should be the only circumstance under which some form of combined operation should be considered. Where one is required, it is the opinion of the AFMC that the overriding objective should be retention of the commissary benefit to patrons.

Granted that combination under one roof might produce efficiencies from shared equipment, supplies, and facilities, the single most complex problem will arise when it becomes necessary to address the division of overlapping product categories; such as, health and beauty care, beverages, pet food, cleaning supplies, batters, and myriad household products. To eliminate these items from either commissaries or exchanges will have adverse consequences for ore or the other.

Should those items be removed from the commissary stock assortment in a combined store, patrons will no longer be able to purchase the items at cost as is now the case, and the compensation value of commissaries will be severely reduced. This would result in reduced patronage of the stores and reduced surcharge revenue for DeCA, so necessary for construction, renovation, and equipment procurement.

Conversely, if the items are removed from the exchange stock assortment in a combined store, patronage and sales will decrease with a resultant reduction in earnings for recapitalization and dividend contributions to MWR funding. The MWR shortfall would require an offset by appropriated funds or a reduction in services to service members and their families.

While there is little doubt that compromises can be reached, they cannot be achieved without adverse consequences to one or both systems, and ultimately to the patrons.

QUESTIONS SUBMITTED BY MRS. DRAKE

Mrs. DRAKE. How do you view the current status and/or process for base credentialing? Is it on track for a timely implementation?

Mr. MCALISTER. Although DOD has provided guidance regarding physical security, a well-defined road map to meet DOD's objectives has been difficult to find. In order to have a timely implementation a well-defined plan needs to be established and communicated to all parties, funds allocated to support the security system, and personnel to deploy the program to every military installation.

Mrs. DRAKE. What suggestions or recommendations, based on industry best practices, could be utilized for the Department of Defense's credentialing program?

Mr. MCALISTER. The following is an overview regarding best practices:

1. Industry Best Practices Already In Place with DOD:
   a. Network: DOD is already using best practices from the banking industry as part of the trust model to exchange credential information with the DOD network.
   b. Credential: The standards developed by NIST for the actual credential are consistent with industry basic security standards.
   c. Credential Process: DOD's process for establishing the identity of the corporation, corporate sponsor, and corporate employee requiring base access are consistent with industry best practices.
   d. Credential Security: DOD supports industry best practices for record keeping, auditing and the minimum standards to avoid compromising the entire process and undermining trust in the credential.
2. Industry Best Practices DOD should follow to insure success:
   a. Implementation: One of industry's fundamental best practices for credential program is utilize input from everyone involved in the process (Base access representatives, Federated network provider, Credential sponsors, etc.) to minimize potential problems when deployment takes place.
   b. Communication: Insuring everyone understands their roles and responsibilities are a fundamental best practice. DOD needs to insure information is distributed effectively and on a timely manner to everyone involved in the credential program.
   c. Funding: To insure successful a program must be fully funded for:
      i. Equipment to authenticate HSPD–12 compliant credentials at the base access point.
      ii. Resources to validate DOD employees backgrounds and provide FIPS 201 compliant credentials as quickly as possible.
      iii. Updating software at every location on base to insure the software fully meets HSPC–12 security standards.

Mrs. DRAKE. In your written statement, you state your view that the Department of Defense missed an opportunity to assume a role in the implementation of a Department-wide system to provide base access credentials to those non-DOD employees who do business on military installations on a frequent—often daily—basis. It is my concern that this seeming lack of interest will create an additional expense that will find its way into the cost of goods for our service members. What are your recommendations to resolve the potential for such a situation? Based on the DOD directive on security each of the services are responsible for providing guidance to their installation commanders.

Mr. MCALISTER. We see great potential for our ALA credential team to have a meeting with those who will be involved in developing the guidance for each of the services. The meeting would enable us to explain our Federated PIV credential program and their ability to authenticate information for contractors. Although senior DOD officials have indicated they want all contractors to have Federated PIV credentials and eliminate the practice of providing contractors CAC cards, the DOD directive indicates contractors would be issued CAC or DBIDS cards. The ALA working team would quickly identify these and other potential shortfalls in the department's methodology. OSD should be willing to work with other groups to in "building and maintaining" an interoperable identify "cross-credentialing" network focused on security, privacy, trust, standard operating rules, policies and technical standards.

One of the most advanced smart ID card programs in the United States is the Department of Defense (DOD) Common Access Card (CAC), a smart card that serves as the DOD standard identification for active duty military personnel, selected reserve personnel, civilian employees, and eligible contractor personnel. The

CAC is the principal card used for logical access to DOD computer networks and systems, and will be the principal card used to enable physical access as systems are installed for authentication and access at DOD facilities. As of July 2006, DOD had issued over 10 million smart cards. As with all Federal agencies, DOD is now migrating to a FIPS 201-compliant Common Access Card. The Department of Defense (DOD) will deploy tools to authenticate an individual's claimed identity electronically, including DBIDS. DBIDS is a Department of Defense (DOD) identity authentication and force protection tool that is fully operational in military locations around the world. It serves as a physical access control and critical property registration system, using bar codes and biometrics to identify cardholders. DBIDS is authorized to issue DOD identity credentials for those individuals needing physical access and not otherwise eligible for a CAC.

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