

[H.A.S.C. No. 112-105]

HEARING

ON

NATIONAL DEFENSE AUTHORIZATION ACT  
FOR FISCAL YEAR 2013

AND

OVERSIGHT OF PREVIOUSLY AUTHORIZED  
PROGRAMS

BEFORE THE

COMMITTEE ON ARMED SERVICES  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED TWELFTH CONGRESS

SECOND SESSION

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SUBCOMMITTEE ON MILITARY PERSONNEL HEARING

ON

**MILITARY PERSONNEL BUDGET OVER-  
VIEW—OFFICE OF THE SECRETARY OF  
DEFENSE PERSPECTIVE**

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HEARING HELD  
FEBRUARY 28, 2012



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#### MILITARY PERSONNEL BUDGET OVERVIEW—OFFICE OF THE SECRETARY OF DEFENSE PERSPECTIVE

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**MILITARY PERSONNEL BUDGET OVERVIEW—OFFICE OF  
THE SECRETARY OF DEFENSE PERSPECTIVE**

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HOUSE OF REPRESENTATIVES,  
COMMITTEE ON ARMED SERVICES,  
SUBCOMMITTEE ON MILITARY PERSONNEL,  
*Washington, DC, Tuesday, February 28, 2012.*

The subcommittee met, pursuant to call, at 1:32 p.m., in room 2128, Rayburn House Office Building, Hon. Joe Wilson (chairman of the subcommittee) presiding.

**OPENING STATEMENT OF HON. JOE WILSON, A REPRESENTATIVE FROM SOUTH CAROLINA, CHAIRMAN, SUBCOMMITTEE ON MILITARY PERSONNEL**

Mr. WILSON. The hearing will come to order. Like to welcome everyone to the Military Personnel Subcommittee hearing relative to the testimony of the perspective of the Office of the Secretary of Defense on the President's fiscal year 2013 budget regarding military personnel matters.

Let me be very clear, personally: If it were up to me the defense budget would not be reduced. The Department of Defense [DOD] would not be tasked to find the \$259 billion in reduction over the next 5 years. And the services would not be operating under the threat of a devastating sequestration process next year.

America is at war today with increasing threats around the world, and yet this budget proposes cuts that break faith with military, military families, and veterans. And in particular, I have just gotten back from Pakistan and last week it was heartbreaking to be there at a time when there was a bombing at a bus station—14 people killed, including 2 children—and then the next day 5 policemen in an attack on a police station, and then today there was the stopping of a bus and 16 people were selected, taken off the bus, and executed right in front of the other persons. And so there is such conflict around the world, and I am just so proud of our military trying to stop those types of attacks from being here.

Additionally, these cuts, I think, give a false encouragement to our enemies, who are obsessed with death. Having said that, the budget challenge that we are discussing today is the reality and we must now confront it.

Certainly no one expected personnel programs to escape close scrutiny. However, contrary to the public statements to the Department of Defense that military personnel programs and benefits have been protected under this budget proposal, the totality of the personnel-related cuts are proportionate to the cuts taken in any other budget category.

Major reductions to the Active Duty end strength of 100,000 will reduce spending but also exact a human cost on our military families. The loss of the skills and experience within the All-Volunteer Force will directly diminish our combat capability when it is very likely we will continue to be engaged in conflict in Afghanistan and other locations around the world by enemies who dream of a long war.

This committee will endeavor, within the fiscal constraints of an austere budget, to legislatively protect the annual end strength targets to maintain a responsible drawdown. For those who remain on Active Duty the budget projects reduced pay raises in future years, precisely when economic conditions may present the All-Volunteer Force with the challenge of a robust job market.

The budget also recommends that the Congress eliminate itself from the debate about reforming military retirement and entrust that to a base realignment and closure-like commission. Removing Congress from the reform process, I believe, is wrong-headed when the Department of Defense leaders have not recommended a retirement reform solution they believe will successfully support the All-Volunteer Force. The people's Congress must be accountable and not defer to unelected appointees.

Finally, the most disturbing budget proposals are the increases in health care premiums, and the increases are up to 345 percent. Not only will we question those increases today, but we will also address them during a subcommittee hearing on military health care next month.

I would like to welcome our distinguished witnesses from the Office of the Secretary of Defense: Dr. Jo Ann Rooney, the Acting Under Secretary of Defense for Personnel and Readiness; Dr. Jonathan Woodson, the Assistant Secretary of Defense, Health Affairs, and Director of TRICARE Management Activity; Ms. Virginia S. Penrod, Deputy Assistant Secretary of Defense, Military Personnel Policy; and Mr. Pasquale "Pat" M. Tamburrino, the Deputy Assistant Secretary of Defense for Civilian Personnel Policy.

And Mrs. Davis, we are very fortunate to have as ranking member, Congresswoman Susan Davis, of California.

[The prepared statement of Mr. Wilson can be found in the Appendix on page 23.]

**STATEMENT OF HON. SUSAN A. DAVIS, A REPRESENTATIVE FROM CALIFORNIA, RANKING MEMBER, SUBCOMMITTEE ON MILITARY PERSONNEL**

Mrs. DAVIS. Thank you, Mr. Chairman.

And, Dr. Rooney, welcome. And we certainly appreciate your being here, along with Dr. Woodson, Ms. Penrod, and Mr. Tamburrino, Jr. Thank you very much.

Hope I said that right—Tamburrino? Okay.

The subcommittee members appreciate your views on the fiscal year 2013 budget request for military personnel and we look forward to hearing how the proposed budget will impact our military personnel and their families.

While I think it is probably safe to say that the budget reductions have not severely impacted the military personnel accounts, they were not immune and they affect each and every person who

is serving today. My colleagues and I would like to understand which personnel and family programs will be impacted and to what extent.

We know the Department is undergoing an effort to eliminate redundant and duplicative programs and ensure that the programs that do remain are effective, but how are those decisions being made? What measures will the services and the Department use in making a determination of a program's effectiveness? Who will decide the priority of one program over another?

And in this time of reduced defense spending we need to ensure we are making well-informed decisions and have an understanding of what these proposed cuts will have on the recruitment and retention of our Armed Forces as well as the impact to their families. We have seen over the past several years the services making a good-faith effort to move funding for quality of life programs into the base budget.

I am concerned, however, that the recent budget would move the additional end strength for the Army and Marine Corps into the Overseas Contingency Operations [OCO] account. If additional end strength for the forces are being moved into the OCO, will we begin to see other areas, such as quality of life and support for wounded warriors that may not be an enduring requirement, also included in the Overseas Contingency Operations fund? And if that is the case, then what message does that send to our men and women in uniform and their families?

These are the types of questions and concerns that the subcommittee will need to address. As the demand for these programs and services remain constant, or in some cases rises as the force returns home while the budget continues to decline, we are going to face very difficult choices. So we must remember that it is our men and women in uniform that makes our military the best in the world and we must proceed with caution.

Thank you, Mr. Chairman.

[The prepared statement of Mrs. Davis can be found in the Appendix on page 25.]

Mr. WILSON. Thank you very much, Mrs. Davis.

And we will proceed to testimony, and we will be hearing—for the benefit of the subcommittee members, you should be aware that Dr. Rooney will make a statement and then we will proceed straight to questions.

**STATEMENT OF DR. JO ANN ROONEY, ACTING UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS; ACCOMPANIED BY DR. JONATHAN WOODSON, ASSISTANT SECRETARY OF DEFENSE (HEALTH AFFAIRS) AND DIRECTOR OF TRICARE MANAGEMENT ACTIVITY; VIRGINIA S. PENROD, DEPUTY ASSISTANT SECRETARY OF DEFENSE (MILITARY PERSONNEL POLICY); AND PASQUALE (PAT) M. TAMBURINO, JR., DEPUTY ASSISTANT SECRETARY OF DEFENSE (CIVILIAN PERSONNEL POLICY)**

Dr. ROONEY. Thank you.

Chairman Wilson, Congresswoman Davis, and distinguished members of the subcommittee, I appreciate the opportunity to appear before you to discuss personnel and readiness programs in

support of the President's budget request for fiscal year 2013. Thank you for your support of our Active and Reserve military members, their families, and our government's civilians who have done everything we ask of them and more.

As you have heard from Secretary Panetta, our fiscal year 2013 budget request was the product of an intensive review of our defense strategy after a decade of war and substantial growth in our budgets. Today I will describe how we can sustain the All-Volunteer Force for generations to come—a force that has a proven record of unprecedented success in operations around the world. Accomplishing this will require the Department to make hard choices regarding competing priorities for limited funding.

Resourcing the reset of the force while maintaining readiness will undoubtedly be one of the most challenging issues of our time. As the Acting Under Secretary of Defense for Personnel and Readiness my priorities focus on: total force readiness, improving the military health system, and total force support.

After 10 years of intensive operations our forces are among the most capable in our Nation's history. Our Active and Reserve service members and defense civilians are well prepared to execute current operations and respond to emergent needs. They are experienced and proficient in a wide range of real-world operations, including operations not traditionally within the Department's scope of responsibility.

As we end today's wars and adjust to new and changing missions we find ourselves naturally transitioning back toward a broader range of security missions. Although this transition is occurring in the midst of an unfavorable and unavoidable fiscal pressure, we have committed to maintaining a ready, capable, All-Volunteer Force.

The performance of our military medical system in a time of war continues to set new standards. The Department strives to provide the best health care in the world to our service members but the current cost growth of the military health system is unsustainable.

We are pursuing a balanced, four-prong approach for improving the health of our population and the financial stability of the system to ensure we can continue to provide this benefit in the future. The four legs of the stool, none of which can be considered in isolation, include moving from a system of health care to one of health, continuing to improve our internal efficiencies, implementing provider payment reform, and rebalancing cost-sharing.

My third focus area is total force support. One of the four overarching principles of the defense strategy is to preserve the quality of the All-Volunteer Force and not break faith with our men and women in uniform or their families.

Despite difficult economic circumstances requiring budget reductions across all levels of government, the Department remains committed to providing service members and military families with support programs and resources, empowering them to address the unique challenges of military life. Ensuring the needs of military families and service members are met contributes to the overall well-being of the total force. This includes access to mental health care; providing for the educational needs of service members' chil-

dren; support of morale, welfare, and relief programs; and maintaining the benefits at defense commissaries.

Secretary Panetta has directed that family programs continue to be a priority for the Department and it remains my priority as well.

Putting together this year's budget request in a balanced package was a difficult undertaking. However, it was driven by the strategy and developed by our uniformed and civilian leadership working closely together.

As a result of that process I believe we have the right mix of programs and policies in place to shape the force we need. We will reduce the rate of growth of manpower costs, including reductions in the growth of compensation and health care costs. But as we take those steps we will continue to keep faith with those who serve.

During the past decade the men and women who comprise the All-Volunteer Force have shown versatility, adaptability, and commitment, enduring the constant stress and strain of fighting two overlapping conflicts. They have also endured prolonged and repeated deployments. They have made innumerable sacrifices. Some have been wounded and others have lost their lives.

As the Department reduces the size of the force we will do so in a way that respects and honors the service of each and every one. I look forward to continuing to work with you, Chairman Wilson, Congresswoman Davis, and distinguished members of this subcommittee, to support the men and women in our Nation's armed services.

As you heard, accompanying me today are several senior members of my staff. I would like to introduce Dr. Jonathan Woodson, Assistant Secretary of Defense for Health Affairs; Ms. V. Penrod, Deputy Assistant Secretary of Defense for Military Personnel Policy; and Mr. Pat Tamburrino, Deputy Assistant Secretary of Defense for Civilian Personnel Policy that also includes total force management. All of us before you today look forward to your questions.

Thank you.

[The prepared statement of Dr. Rooney can be found in the Appendix on page 27.]

Mr. WILSON. Thank you very much. And what we will do is we will proceed to each member of the subcommittee having 5 minutes to ask questions, and we have a person above reproach, Mr. Craig Greene, who is going to be keeping up with this.

And I will go first.

First of all, Dr. Rooney, I am really concerned, sincerely, that there seems to be a disproportionate reduction in effort for the military which doesn't show up in other agencies. Are you aware of, as you indicate a reduction in manpower cost for the military, are there any—is there any other agency in government or any other Department that is having a reduction in manpower cost?

Dr. ROONEY. Sir, as you indicated we are taking about 10 percent of our projected budget cuts in things dealing with people and compensation but I am not aware of how that is impacting other Departments across the government.

Mr. WILSON. And that just really concerns me, that there are reductions in spending but it is disproportionate to the military, again, in a time of war, as I have expressed.

Additionally, what new initiatives is the Department pursuing to enhance the transition of service members and their families to civilian life as those families prepare to separate from the military?

Dr. ROONEY. There are several. Most probably are aware of the Yellow Ribbon Program, which really focuses on our Guard and Reserve members, and that particular focus is enabling them to transition much more effectively into their communities and with employers throughout the area. That continues to have great support and it also continues to have great results.

We also have been working with our colleagues in the Department of Veterans Affairs [VA], Department of Labor, and Department of Education to look holistically at the transition of our service members. We are currently in the process, having completed step one of that report and now working on the implementation of what that will look like—so from when a service member comes into the service until that point when they make the ultimate transition, that that is a continuum and prepares them for life outside.

And there are a number of other programs committed to education both for our service members as well as their spouses that we believe will positively impact that transition.

Mr. WILSON. And I appreciate you indicating a holistic approach, because the Department of Labor, VA, DOD, I am just really hopeful that people working together can address the challenges. In my home state we have unemployment over 9 percent—many communities almost 20 percent. And so this needs to be addressed.

Additionally, I have already expressed concern about the health care insurance premium costs—TRICARE Prime. The fiscal year [FY] 2013 increase is 30 to 78 percent but over 5 years can be between 94 to 345 percent.

And now I found out today from the Washington Free Beacon that the different insurance cost increases for the military do not apply to civilian defense employees. Why would there be a difference between the military and civilian defense employees?

Dr. ROONEY. Sir, I will take the first part of that and then I will ask my colleague, Dr. Woodson.

First of all, the civilians are not part of our TRICARE system—the civilian government employees. So we are proposing those increases in the TRICARE system, which impacts—the particular increases—those that are retired, of working age, as well as those that are over 65. So they are two very, very different systems, first off, so we are just focusing in this particular case on those costs with a program that is administered within the Department of Defense. So that would be this particular one.

And I will ask Dr. Woodson to comment on those specific increases you mentioned.

Secretary WOODSON. One of the major reasons I think, as Dr. Rooney has already pointed out, is that the management of the TRICARE insurance program and set of activities is within our set of responsibilities and authorities, but also, as it stands now, those receiving other Federal health benefits currently pay a much high-

er cost share. But most importantly, they are not within our authorities.

Mr. WILSON. Well, the percent, again—345 percent—really is a great concern to me.

Finally, last year Governor John Baldacci, of Maine, was hired for a yearlong study of military health care, and his requirement was to provide recommendations for reforming the health care system. Additionally, has he made a report? Was that report included in the defense health program budget reforms?

Dr. ROONEY. Sir, if I can speak to—actually, my understanding—and of course, Dr. Baldacci came before I joined the Department so I am having to look at history a bit here—but my understanding was he had a fairly broad scope in his memorandum of understanding [MOU], which was it had to involve health care but it could impact everything from readiness to continuum of care and a number of initiatives in between. What I can speak to is since November, when I have been in this position, Dr. Baldacci has been working in two particular areas, which is total force fitness, along with the joint staff, which is a readiness issue with us and involves health of the force; and then also he has been one of the key members I have had doing site visits for our disability evaluation system as we try to improve our timeliness on that.

Any reports he has given to this point have been oral to me, so I am not sure if there will be a finalized written report. And before that the only thing I saw from him were trip reports or meeting reports, so—

Mr. WILSON. But not an annual report?

Dr. ROONEY. No, sir. Nothing that I have seen.

Mr. WILSON. Thank you.

Mrs. Davis.

Mrs. DAVIS. Thank you, Mr. Chairman.

Dr. Rooney, I wonder if we could focus for a minute on the issue of tuition assistance programs, because that has certainly come to my attention and I am sure to many others, as well. One out of five dollars—actually, that really refers to the Military Spouse Career Advancement Account—goes to for-profit schools. But the Senate Health Committee found that half of all tuition assistance dollars are going to for-profit schools, many of which have very poor student outcomes. We know that these schools are aggressively targeting and recruiting service members for their military benefits.

So, given the tough budget environment that we are facing as well as the concerns about the sustainability of the tuition assistance programs, I am just wondering what we are doing about that and whether you feel that, in fact, some of the concerns that Military Officers Association of America [MOAA] has raised, Student Veterans of America have raised, what are we doing to really ensure that our service members have access to a high-quality education that protects them from aggressive recruiting on bases and military-related Web sites?

Dr. ROONEY. Thank you. As you know, not only to me, education is extremely important, given my background that I brought into the Department. But throughout the Department we see education as a way for our service members and their families to reach their greatest potential.

And you are right. The concern is that we need to be in a position where we balance allowing our service members to have the greatest choice among academic institutions—to be able to study what they want where they want—and that often means flexibility in terms of the delivery models that are given.

But at the same time we share your concern to make sure that while we don't want to inhibit the members' choices that we need to make sure we're holding all schools accountable for quality delivery, being able to put together plans of education so that service members know how they are going to get from point A to the point where they are graduating with a degree or a certificate, whatever they are studying, and then to hold the institutions accountable and do such things as require them to look at the experience of our service members or even our spouses and see if there are ways that possibly that can count towards credit.

So along that line, what we are currently working on is developing a memorandum of understanding to be signed by institutions that want to participate in our tuition programs. And that memo was expected to be put in place by the end of December, and because of some of the concerns you raised that we also heard from a number of the organizations we actually extended that deadline out so we could continue to meet with them and address the concerns.

But the idea is not to pick particular schools or limit access but make sure that we are saying, "If you want to participate you will need to do these things." And the deadline to have that MOU signed now is March 31st, at which point we feel that those schools that are willing to be held accountable and that we can have a basis for service members to compare what type of institution, that we will have that in place at that time. And that should go very far in addressing the kind of concerns that you raised.

Mrs. DAVIS. And I am sure you are aware, Dr. Rooney, that some of our underperforming schools seem to have no problem signing on to that but many of our schools with very strong reputations, including the University of California, I believe, had problems because of the transferability of credits and experience. Do you think that as you are working—and I guess the memorandum is due the end of this month—that you will have resolved that issue?

Dr. ROONEY. I believe we definitely will. There have been a lot of conversations and direct work with the institutions as well as organizations such as American Council on Education [ACE] that actually represent a number of institutions on how can we best look at this. And our goal is not to mandate that institutions take experiential credits or give credit for experiential learning, but that in fact, there is a mechanism in place where they can actually look to see if that is possible. I think that was one sticking point that—you know, is it required or do we really want them to have a mechanism in place?

And the other one was the transferability of credits. And what we are trying to do is work with the schools to say, you know, for instance, if you are taking English in a community college and you are transferring to a 4-year institution, how can we try to see some basis so our service members can understand transferability and, where possible, do it. So I think it was a case of just not forcing

the institutions to mandate transferability but really create a transparency in process so our service members know and, frankly, so that we can advise them better as they are going through that process.

Mrs. DAVIS. Thank you. We might come back to that.

Thank you very much.

Mr. WILSON. Thank you very much.

And we have Congressman Mike Coffman, of Colorado.

Mr. COFFMAN. Thank you, Mr. Chairman.

And thank you all for your—I would like to say your service to the country, but some of you haven't served in uniform, which is surprising. But thank you for your service to the administration and, I suppose, to the country.

A 2007 Government Accountability Office [GAO] report estimated the Reserve Component members' cost to be only 15 percent of the Active Duty Components. And yet, when we look at this budget it seems to have a uniform sort of across-the-board reduction of both the Active and the Reserve Components, as well. And it would seem to me that what we ought to be doing is taking a look at this 1.4 million right now uniformed military personnel on Active Duty and saying, "What functions could be provided for in the Guard and Reserve?" So instead of reducing the size of the Guard and Reserve we ought to be expanding the size of the Guard and Reserve and maintaining it so that we don't have to reduce our capability and compromise our national security, as it seems that this budget by the administration does.

Can somebody tell me the rationale for the fact that we didn't go down this path? I mean, Israel, as a nation, is in a perpetual war footing and their backbone of their military is the Guard and Reserve. So why didn't we—Dr. Rooney, why didn't we go down this path?

Dr. ROONEY. Sir, I believe if we look, in fact, we were and are balancing our use of the Active Component with the Guard and Reserve. We acknowledge that much of the capability, and in fact, many of the areas of the capability are within the Guard and Reserve. So as not to hollow out the force it is critical that we have a balance between the two, and in all of the discussions of the force reduction I can tell you that the Reserve Component was well represented in that same room with the discussions.

So I think again, it is a case of balance. And if you are looking at the particular numbers, different components of the service are actually drawing down their Active versus their Reserve differently. And I can get you those specific numbers in terms of that balance between the two, but I don't think the intention is at all to diminish the use of our Guard and Reserve in any of the components.

Mr. COFFMAN. Well it does. And that is unfortunate because this is a plan that clearly cuts down the capability of the United States military needlessly because we are cutting into acquisition to sustain an Active Duty larger than it needs to be—an Active Duty Force larger than it needs to be. But obviously we differ in our experience, I having served in both the Army and the Marine Corps.

Let me go back to another issue, and that is the size of the civilian workforce at DOD. Can you tell me what the—is it—what is the size of it today? Is it 68,000? What is it?

Dr. ROONEY. Hang on. I can actually give you, Pat?

Mr. TAMBURRINO. The size of the workforce that comes from the appropriated funds, approximately 730,000 people; the size of the workforce that comes out of non-appropriated funds, like Morale, Welfare, and Recreation [MWR]—

Mr. COFFMAN. Oh, I was way off.

Mr. TAMBURRINO [continuing]. Approximately 250,000 people. So in round numbers the size of the workforce total is about a million.

Mr. COFFMAN. About a million. So we have got—so on Active Duty we have got 1.4 million uniformed personnel right now—

Mr. TAMBURRINO. Sir.

Mr. COFFMAN [continuing]. And we have—what is the—and we have over a million in the civilian workforce?

Mr. TAMBURRINO. Slightly under a million.

Mr. COFFMAN. Wow. Slightly under a million. Okay. Just trying to think in my mind how many casualties are produced by somebody sitting behind a desk.

Now, so we are going to do an end strength reduction on our Active Duty Force. So tell me what the end strength reduction looks like for our civilian DOD workforce.

Dr. ROONEY. At this point the projected is that it will go down by about 7,000.

Mr. COFFMAN. Wow. Okay. Let me get this straight here. This is great.

So what we are doing is—what is the number that we are reducing our—our uniformed military by right now? 100,000 is what we are reducing our uniformed military by and we are reducing our civilian workforce by 7,000? Is that right? Is my math wrong?

Dr. ROONEY. Sir, I believe you have just included the Active; you didn't consider the Active, Guard, and Reserve, too—

Mr. COFFMAN. No, I am just talking about Active. Because our DOD civilian workforce isn't part-time; they are full-time employees. Am I correct in that?

Dr. ROONEY. The number we gave you was full-time equivalents, yes.

Mr. COFFMAN. Okay, so let's do the—tell me what the math is here. So what is our Active Duty end strength reduction is how much?

Dr. ROONEY. 123,900.

Mr. COFFMAN. And our civilian workforce reduction is how much?

Dr. ROONEY. Current going forward 7,000, and that doesn't include any previous reductions that have been taken over the past several years.

Mr. COFFMAN. You know, I would like those numbers—specific numbers back to us. And you referenced that some were done before. Let's look at those, too—if you could give me those numbers, too, that were done in the past. I find this stunning.

[The information referred to is retained in the subcommittee files and can be viewed upon request.]

Mr. WILSON. Thank you, Congressman Coffman.

And we proceed now to Congressman Allen West, of Florida.

Mr. WEST. Thank you, Mr. Chairman, and also Ranking Member. And thanks to the panel for being here today.

And as I talked to you earlier, Dr. Woodson, I am just a simple old paratrooper, you know? Life is easy for us: red light means you don't jump, green light means you do jump.

So when I sit and look at this I recall a great statement by a famous Army general by the name of Cavazos, who said, "Quantity has a quality all its own." So my first question is this: I hear about how we sat down and we developed strategy.

When I was a commander we had a simple thing. Whenever we had a mission we did what was called a troop-to-task analysis. Did we really sit down and do a sincere troop-to-task analysis for our uniformed military services as we look across every single geographic area of responsibility [AOR] based upon the threat assessment for the next 10 to 15 years so that we can have the right capacity and capability to meet those threats?

The reason why I say this, after World War II we gutted our military and then came Korea. We continue to try to make the military bill-payer for our fiscal irresponsibility up here in Washington, DC.

You know, we are not talking about units; we are talking about real people, some of those people still my friends, some of them even my relatives. So I would like to know that we really and truthfully do a troop-to-task analysis by geographic AOR that looked at the threat assessment, the capacity and capability that will be necessary for the next 10 to 15 years.

Dr. ROONEY. Sir, ultimately what we were having to do is comply with the Budget Control Act. So we had a budget number that we needed to fit our responses into. And I will tell you that as the numbers in terms of what our troop drawdown is—the goal of all of us in the Department is to make sure we do not hollow out the force; so as we are drawing down we pay attention to exactly the details you have indicated.

Mr. WEST. So based upon your answer, you know, we continue to hear everyone come up and say, "This is all based on strategy. It was not based on budget and numbers first." What you are telling me it was based upon the budget and numbers first; it was not based upon a troop-to-task analysis of the volatile situation in which we find ourselves all across the world projecting out for the next 10 to 15 years.

Dr. ROONEY. No. In fact, it was the strategy, and then within the strategy then we had to tailor our budget to fit in that strategy but we did have the constraint of what the numbers on that budget were to meet that strategy.

Mr. WEST. This is my concern, going along with the ranking member: We already have men and women doing five and six combat tours of duty, and the unintended consequences of that—divorces are up, suicides are up, drug problems are up. If we are making this force smaller and these requirements continue to get bigger, what is going to happen with all of these second and third order things that are going to continue to occur, especially for our families? We taking that into consideration?

Dr. ROONEY. Sir, I believe we acknowledge the challenges that you indicated and acknowledge that there is a special stress on our

military families and what the rotation and the deployments have done to the families. It is one of the reasons, also, that the Secretary mandated that we did not take any significant cuts or, in many cases, no cuts at all to family programs and instead tasked to make sure that those programs we are delivering address those kinds of issues that you indicated on there and that we wouldn't take a reduction in those particular support programs.

Mr. WEST. Last question: You know, I am a 22-year veteran. Has anyone—because everyone keeps talking about the rising costs of retirees—have we looked at the adult population of the United States of America—18 to whatever—and how many out of that population are military retirees? Can anyone give me that percentage?

Dr. ROONEY. Percentage or total number? Sir, and you are talking—

Mr. WEST. Either one.

Dr. ROONEY [continuing]. How many are in the military retirement system at this point?

Mr. WEST. Absolutely. When you look at comparison to the population of the United States from 18 to—to whatever—adults.

Ms. PENROD. Currently there are 1.47 million retirees.

Mr. WEST. Okay, so 1.47 million, and let's say out of an overall population—let's be kind—300 million? What is that percentage? You know, somebody that didn't go to the University of Tennessee, can you do that real quick?

Dr. ROONEY. Not even 3 percent.

Mr. WEST. My point is this—

Dr. ROONEY. 0.3 percent.

Mr. WEST. My point is this: I read down here that we say the primary criticism of military retirement over the last 25 years has been the escalating cost of the program. You are talking about a small percentage of Americans that were willing to give their entire lives to make sure we stay free and protected this democracy. I don't think we should be going after those people when they constitute such a small percentage of our society.

So with that being said, I yield back, Mr. Chairman.

Mr. WILSON. Thank you, Congressman West.

And we now proceed to Congressman Austin Scott, of Georgia.

Mr. SCOTT. Thank you, Mr. Chairman.

And, Ms. Rooney, I just—you said it was three-tenths of 1 percent. Is that what you said—the last number that you gave?

Dr. ROONEY. I believe based on the numbers the congressman did, but my math might be off today so my apologies if it was.

Mr. SCOTT. No, that is pretty close to what I thought. And just going back to the other numbers that you said, there will be 123,900 reduction in our uniformed troops—total reduction in troop—and only 7,000 in non-uniformed personnel?

Dr. ROONEY. For fiscal year 2013.

Mr. SCOTT. Of the total number of employees, uniformed and non-uniformed, how many uniformed personnel do we have right now?

Dr. ROONEY. If you count Guard and Reserve, approximately 2.2 million.

Mr. SCOTT. 2.2 million. And how many non-uniformed do we have?

Dr. ROONEY. Just under a million.

Mr. SCOTT. Just under a million. If we did it on a—on an equal ratio then you would have—if you reduced 123,000 from the uniformed you would be looking at somewhere in the range of a 50,000-person reduction in the civilian force. Is that correct?

Dr. ROONEY. Let me make sure I clarify: That number that I gave you for the reduction in the military was over the FYDP [five year defense plan], and the civilian was just for the 1 year, which is the only thing we have for the budget right now.

Mr. SCOTT. Okay. And so if you did it on an equivalent basis what do you think it would be?

Dr. ROONEY. Your total number is about right if, in fact, that was over the FYDP.

Mr. SCOTT. So I guess my question is if we are going to have so many—if we are going to have that much reduction in troop force why wouldn't you have a corresponding reduction in the bureaucracy?

Dr. ROONEY. Sir, as we view—and I mentioned and used the term “total force” several times, so what we are doing as a Department is looking at across, which includes our contractors, our uniformed military, and our civilians, and at any point in time looking and saying, “What are these various people doing and do we have the right people in the right jobs?” So I don't think I can sit here and say to you that there is any specific number in terms of the civilians. At this point we are looking at the appropriate mix and seeing and viewing this in a total force, so it is not looking at one particular component.

Mr. SCOTT. But ma'am, the reduction to the soldier is 17.7 times what it is to the bureaucratic machine that is over there.

Dr. ROONEY. I appreciate your comments, but I would say to you that the services themselves, who understand what their requirements are and what they need for end strength, are driving our number in terms of what that military number is.

Mr. SCOTT. And ma'am, without the soldiers we don't need all of the other bureaucrats, quite honestly. But I guess my question, getting back to this—with all of the challenges that we have going on in America right now with regard to the economy, the proposal for the TRICARE Prime increase—are you aware of any other increase that is as draconian as the TRICARE Prime rate increases that are being proposed by this administration?

Dr. ROONEY. To comment generally, and I will ask Dr. Woodson to step in—part of when you look at this increase it is appropriate to go back to roughly 1996 and see that for most of the time up till the current—about a year ago—there have been no increases, and that is very different than what we have seen in terms of even health care costs as well as what has happened to most people in terms of their health care premiums. The other piece is that 60 percent of our health care comes from the private sector, so as private sector health care costs are increasing we are actually seeing those same increases going.

So I think that the reason, you are seeing first-time costs that have not risen since 1996. But I will ask my colleague, Dr. Woodson, to also comment specifically—

Mr. SCOTT. Ma'am, I am almost out of time. But with all due respect, the general belief from the administration seems to be that health care should be free for everybody other than the people in the military, and if you are in the military then they are going to get a five-fold increase over the next 5 years if we allow this to happen. Congress made it very clear—chairman—the chairman of this committee—we suggested that there could be increases but that those increases should not exceed what the increase in pay or retirement benefits was. We were very clear.

And that leads me to the next question of why do you believe that it should—that it should be handled in a BRAC-like manner—that the changes in the benefits should be handled in a BRAC-like manner?

Dr. ROONEY. You are specifically referring to the retirement, sir, correct?

Mr. SCOTT. Yes, ma'am.

Dr. ROONEY. Okay. We feel at this point we are internally working on looking at retirement and saying if, in fact, balancing recruitment and retention, are there other potential systems? But we understand the difficulty in terms of making any changes to this. So having an independent group and commission, as is proposed by the President, be able to look at the alternatives and a number of the possible alternatives that we as a Department might put forward and be able to look at that independently, and again, not work with all of you but continue to work with Congress on this, that we felt the BRAC-like commission would actually get us to a good result.

Mr. WILSON. Thank you very much, Congressman Scott.

And we now proceed to Congressman Joe Heck, of Nevada.

Dr. HECK. Thank you, Mr. Chairman. I apologize for having to step out, but I kept one ear tuned to the television while I was in the other room.

You know, I certainly appreciate what you all are trying to accomplish. I think we all do. We understand we are in a very difficult situation with a very constrained fiscal environment trying to manage what we are going to do with one of the largest drivers of our national budget.

And, of course, my biggest issue and my biggest concern has always been with the Reserves. And, you know, I—Lieutenant General Stultz comes in here quite a bit and talks about recruiting a soldier for life and giving them the opportunity to move between Active Duty, Reserve, you know, training participation unit [TPU], into the Individual Ready Reserve [IRR], and based Active Guard and Reserve [AGR] tour—whatever is necessary to keep them engaged and keep them part of the military establishment.

And I see now that we are going to, you know, cut upwards of about 80,000 from the Army Active Duty Force over time. But we are capping the Army Reserve where it is now at 205. And actually, I think we are still over strength. We still have somewhere to go until we get to 205.

But then there is—so I just question, how are we going to keep that soldier for life? We are going to tell them, "You are leaving," through attrition, or whatever method, but we don't have a spot for

them in the Reserves now if we are going to stay capped at 205, or we are already over our cap at 205.

You know, we have built an incredible capability in our Reserves. We truly have become an operational force over the last 10 years and a lot of that has been based on OCO money, which is going away, not to mention baseline money—but OCO money that is going away.

And so we see this requirement that we are going to put an ever-increasing emphasis on utilization of the Reserves, which is what General Odierno mentioned when he was before the full committee not long ago on how he was going to mitigate risk, and I wonder how we are going to maintain that capability as we lose the funding source which has built it, which is OCO, and not, then, keeping folks separating from the Active Component and have the opportunity to go in—go into the Reserve Force.

I looked at these two, you know, involuntary separation examples, and I hope they are just examples because, you know, they are based on an E5, E6 and O3, O4, which in my mind are the very folks we should be trying to keep at those grade levels, and we should be trying to shed, you know, O5s and O6s before we get rid of O3s and O4s. So I just wonder, how are you going to balance that issue of, we are cutting up to 80,000 Army Active Duty troops and we have got no place to put them even though the Reserves are saying we need to recruit a soldier for life?

Dr. ROONEY. Sir, I will start that and then I will turn it over to Ms. Penrod.

Our role, and one that we take very seriously, is working very closely with each of the services so that we can have exactly the conversation you are indicating, which is, what is that balance? What tools do we need to make sure that we are maintaining capabilities, that we have identified and will continue to identify as either current or emerging types of requirements, and how do we best use that tool? And it is, frankly, the force shaping.

Because you are right: We are constrained by the numbers, we are constrained by our budget resources, and we are having to make sure we continue to support that All-Volunteer Force and make sure that it is ready and adaptable and all the challenges that we have to it. So our role, clearly—and I will ask Ms. Penrod to comment on the types of tools and the directive that we have actually sent out to the forces saying we will work with you but we need to look first at voluntary separations, and then how do we use these tools forward? So I will ask her to comment a little bit more about that.

Ms. PENROD. Yes. We have been working with the services. We have had meetings with the Army staff, Navy, Air Force, Marine Corps, but you can understand, they are—those are draft plans. They intend to brief you when they come over to testify.

But one thing we are emphasizing—again, as Dr. Rooney said, are voluntary over involuntary measures. We want to thank the Congress for the tools that you provided last year in the National Defense Authorization Act extending the voluntary separation pay. We also understand, you know, there is normal attrition in the Guard and Reserve. The services do plan as much as possible to help transition the Active Duty Force into the Guard and Reserve.

But again, I don't have the specifics for the plans, but we are working with the services and trying to help them shape their force and using all the tools so that they have the skill sets that they need, they have the grade structure that they need, and that they do not go after recessions like they did in the mid-1990s.

Dr. HECK. And I appreciate that. And I know you are keeping these things in mind, but I just want to emphasize the fact that a lot of the high-demand, low-density units that are currently being utilized are located in the Guard and the Reserve, and if we are going to draw down Active Duty and we don't have a place to put them in the Reserve, I feel that we are ultimately going to impair our ability to be fully capable, trained, and ready to go to war.

Thank you, Mr. Chair. I yield back.

Mr. WILSON. Thank you very much, Congressman Heck.

And we proceed now to Congresswoman Vicky Hartzler, of Missouri.

Mrs. HARTZLER. Thank you, Mr. Chairman. I had several constituents in so I haven't been able to be here earlier, so I don't have any questions. Thank you.

Mr. WILSON. And does anyone have any proceeding or further question?

Mrs. Davis.

Mrs. DAVIS. Thank you, Mr. Chairman.

One thing I would like to ask, and this is always a difficult thing—I am not asking for specifics so much, but we are talking about TRICARE, we are talking about pharmacy copays—difficult issues, I think, for people to address. But one of the things that we haven't talked about is what if we don't do that? Then, you know, what is it that has to pick up that difference in trying to maintain what we have, which we would all agree is very beneficial and we feel that it is, you know, critically important to our families? At the same time we are having to find cuts in other areas.

So I wonder, Dr. Woodson, what does that look like if, in fact, we don't address it in this way?

Secretary WOODSON. Yes. Thank you very much for that question.

Given the constraints of the Budget Control Act, if no adjustments are made in TRICARE fees and we don't achieve what is a \$12-plus billion savings over the FYDP, additional force structure cuts will need to be made. And so, you know, the optic that I think everyone needs to understand in these very difficult times—and, you know, I am sitting here listening to your questions and I understand what you are saying, Congressman Heck, and Congressman West. You know, we have talked offline about some of these issues.

And so the real issue is the constraint of the Budget Control Act mandates that we have to look across the broad spectrum of sort of programs and activities. I think the Secretary made an incredible effort to limit the impact on personnel and benefits like TRICARE—90 percent of the savings comes from other areas.

But we need it to be considered at the table, and so the issue and the short answer to your question is that without the adjustment in fees there, force structure impacts will be felt. We are now 10 percent of the base DOD budget; if we continue to inflate at what

has really been a moderated rate of about 5.3 percent and the top line of the DOD budget comes down we become an increasingly greater percentage of the Department of Defense budget and then we really impact training, manning, and equipping the force.

So I think the key to remember—issue to remember is that the line leadership was at the table with the civilian leadership, that the proportion of cuts in programs was driven by the strategy with input from the commanders at all levels—the combatant command [COCOM] commanders—understanding what capabilities they needed to preserve, as the Secretary has said. We are going to be a smaller but more agile force that leverages technology to be formidable wherever we go.

But also, getting our fiscal house in order is in the national security best interest, as well. And so I think, you know, the issue is that without additional TRICARE adjustments force structure will be impacted.

Mrs. DAVIS. Thank you. I think sometimes just trying to remember, I think, for a lot of my colleagues who don't go back, necessarily, to 2001, is the rise that we had in terms of defense spending. We obviously needed to do that, but I think that—I know my colleague asked the question, do we have any other increases across the board—the reality is there—if you compare that to other accounts that rose during that period there are very few that even come close. And so obviously there are some changes that are being suggested.

I think we all just are pretty possessive of the personnel accounts and want to be sure that those are reasonable and that it makes sense.

Very quickly if you could, I think the issue of military retirement has come up, and I know the BRAC-like commission has been suggested. The question really is, is that an area that we need to be changing now? I mean, is that something that really is going to make a difference in this budget or are there other changes that are occurring that make a whole lot more sense right now? And how strongly do you feel that their retirement issues should be addressed?

Dr. ROONEY. Actually, the retirement—there is nothing in the fiscal year 2013 budget that accounts for any change in retirement. So that isn't a budget holder even in there.

We are looking at retirement—believe we should look at retirement as part of overall compensation. And it is the opportunity for us to look and say, does the current system work for what we feel is the force of the future? So there isn't a preconceived notion that, you know, there is a particular proposal out there that is better than anything else. In fact, that is why we are taking the time, looking and saying, "If you change this what does that do to recruitment and retention?" So this is more of a do we have the right tools in terms of overall compensation, and this is the time to be able to look at that as opposed to it being something necessarily driven by a budget.

Mrs. DAVIS. Thank you.

Mr. WILSON. And thank you, Mrs. Davis.

And thank you all for being here. I would like a follow-up, if I could be provided in regard to Governor Baldacci—the costs of cre-

ating his position, the pay for his—himself as an individual, administrative costs, travel costs, support personnel with pay, administrative and travel costs. If you all could provide that to me I would appreciate it.

[The information referred to is retained in the subcommittee files and can be viewed upon request.]

Mr. WILSON. And again, thank you for being here today.

And the subcommittee shall be adjourned.

[Whereupon, at 2:26 p.m., the subcommittee was adjourned.]

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**A P P E N D I X**

FEBRUARY 28, 2012

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**PREPARED STATEMENTS SUBMITTED FOR THE RECORD**

FEBRUARY 28, 2012

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**Chairman Wilson Opening Statement**  
**Military Personnel Budget Overview—Office of the Secretary**  
**of Defense Perspective**  
**February 28, 2012**

Let me be clear, if it were up to me, the defense budget would not be reduced, the Department of Defense would not have been tasked to find the \$259 billion in reductions over the next five years, and the services would not now be operating under the threat of a devastating sequestration process next year. America is at war today with increasing threats around the world and yet this budget proposes cuts that break faith with the military, military families, and veterans. Additionally, these cuts give false encouragement to our enemies who are obsessed with death. Having said that, the budget challenge that we are discussing today is the reality and we must now confront it.

Certainly, no one expected personnel programs to escape close scrutiny. However, contrary to the public statements by the Department of Defense that military personnel programs and benefits have been protected under this budget proposal, the totality of the personnel related cuts are proportionate to the cuts taken in any other budget category.

Major reductions to the active duty end strength of 100,000 will reduce spending, but will also exact a human cost on our military families. The loss of the skills and experience within the all volunteer force will directly diminish our combat capability when it is very likely we will continue to be engaged in conflict in Afghanistan and other locations around the world by enemies who dream of a long war. This committee will endeavor, within the fiscal constraints of an austere budget, to legislatively protect the annual end strength targets to maintain a responsible drawdown. For those who remain on active duty, the budget projects reduced pay raises in future years precisely when economic conditions may present the all volunteer force with the challenge of a robust job market. The budget also

recommends that the Congress eliminate itself from the debate about reforming military retirement and entrust that responsibility to a Base Realignment and Closure-like commission. Removing Congress from the retirement reform process is wrong headed, particularly when the Department of Defense leaders have not recommended a retirement reform solution that they believe will successfully support the all volunteer force. The people's Congress must be accountable and not defer to unelected appointees.

Finally, the most disturbing budget proposals are the increases in health care premiums. Not only will we question those increases today, but we will also address them during a Subcommittee hearing on military health care next month.

**Statement of  
Representative Susan Davis  
Military Personnel Budget Overview—Office of the Secretary of  
Defense Perspective  
February 28, 2012**

Thank you, Mr. Chairman. Dr. Rooney, welcome, we appreciate you being here, along with—Dr. Woodson, Ms. Penrod, and Mr. Tamburrino, Jr. The subcommittee members appreciate receiving your views on the fiscal year 2013 budget request for military personnel, and look forward to hearing how the proposed budget will impact our military personnel and their families.

While the budget reductions have not severely impacted the military personnel accounts, they were not immune. My colleagues and I would like to understand what impact to personnel and family programs will be impacted and to what extent. We know that the Department is undergoing an effort to eliminate redundant and duplicative programs, and ensure that the programs that remain are effective, but how are those decisions going to be made? What measures will the Services and the Department use in making a determination of a program's effectiveness? Who will decide the priority of one program over another? In these times of reduced defense spending we need to ensure that we are making well-informed decisions and have an understanding of what these proposed cuts will have on

recruitment and retention of our Armed Forces, as well as the impact to their families.

We have seen over the past several years the Services making a good faith effort to move funding for quality of life programs for service members and their families into the base budget. I am concerned that the recent budget would move the additional end strength for the Army and the Marine Corps into the Overseas Contingency Operations (OCO) account. If additional end strength for the forces are being moved into the OCO, will we begin to see other areas, such as quality of life and support for Wounded Warriors that may not be an enduring requirement also included in the OCO. If that is the case, then what message does that send to our men and women in uniform and their families? These are the types of questions and concerns that the subcommittee will need to address.

As the demand for these programs and services remains constant, or in some cases rises as the force returns home, and the budget continues to decline, we are going to face difficult choices, but we must remember that it is our men and women in uniform that makes our military the best in the world.

Thank you, Mr. Chairman.

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PREPARED STATEMENT  
OF  
THE HONORABLE JO ANN ROONEY  
ACTING UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS  
BEFORE THE  
HOUSE ARMED SERVICES COMMITTEE  
MILITARY PERSONNEL SUBCOMMITTEE

FEBRUARY 28, 2012

## **INTRODUCTION**

Chairman Wilson, Congresswoman Davis and distinguished members of the subcommittee, I appreciate the opportunity to appear before you to discuss Personnel and Readiness programs in support of the President's budget request for Fiscal Year (FY) 2013. Thank you for your support of our Active, Reserve Component military members, their families, and our government civilians who have done everything we have asked of them and more.

As you have heard from Secretary Panetta, the FY13 budget request was the product of an intensive review of our defense strategy necessitated by the fact that our country is at a critical turning point after a decade of war and substantial growth in our budgets. Today, I will describe how we can sustain the All-Volunteer Force for generations to come—a force that has a proven record of unprecedented success in operations around the world. Accomplishing this will require the Department to make hard choices regarding competing priorities for limited funding. This plan is predicated on the assumption that the Military Services are appropriately resourced, experienced, and flexible enough to rapidly adapt to emerging threats. Resourcing the reset of the force, while maintaining force readiness, will undoubtedly be one of the most challenging issues of our time.

As the Acting Under Secretary of Defense for Personnel and Readiness my priorities focus on: Total Force Readiness, Improving the Military Health System, and Total Force Support.

## **READINESS**

After ten years of intensive operations our forces are among the most capable in our Nation's history. Our Active and Reserve Component members and our defense civilians are well prepared to execute current operations and respond to emergent needs, and are experienced and proficient in a wide range of real world operations. We have, by necessity, mastered a host of specialized capabilities that depend heavily on language and culture, governance, rule of law, development, and other specialized skills; not all of which are within the Department's traditional scope of responsibility. However, fully preparing for these missions means that there have been fewer capabilities available for large-scale, major combat operations. As we end

today's wars and adjust to new strategic guidance, we find ourselves naturally transitioning back toward a broader range of security missions.

The first sign of this transition is the return of full-spectrum exercises that we have seen over the last year. Specifically, the Marine Corps exercised its first large-scale amphibious assault in ten years just a few weeks ago. Similarly, the Army is shifting to decisive action training exercises at the National Training Centers. We will see more of these exercises as forces return and reset from current operations. In addition, the Army has begun to regionally align maneuver and enabler forces to some Combatant Commands to conduct security cooperation and security force assistance activities. These forces will have appropriate language, culture, advisor training and skills to enable expanded engagement with critical partners in the region.

Although this transition is occurring in the midst of unavoidable fiscal pressure, we have committed to maintaining a ready, capable All-Volunteer Force. Program reductions were deliberately managed to preserve operational flexibility and to keep faith with service members and their families who have made significant sacrifices. We realize that sometimes, either due to unforeseen circumstances or a changing world, even the most well conceived plans must be revised. For this reason, my office is maintaining its role of closely monitoring the readiness of our forces for the dual purposes of identifying and remediating critical deficiencies or unmet requirements.

### **End Strength**

We know that multiple deployments to Iraq and Afghanistan, with limited time at home for recovery, have stressed our military members and their families. With the draw down in Iraq and Afghanistan, this stress is fundamentally reduced. We have withdrawn 50,000 troops from Iraq since 2010, and will have reduced Afghanistan troop levels by 30,000 at the end of this year. Barring unforeseen events, the Secretary's goal of two or more years at home for every year deployed will likely be met this coming year. The All-Volunteer Active and Reserve Force is healthy, and our Services are achieving or exceeding their recruiting and retention goals.

Today, our overall military end strength, which includes the base force and overseas contingency operations, is at 2,269,700 in FY12. While the initial changes to force size are muted, a 1.4 percent reduction equating to a 31,300 person reduction in FY12, ultimately the

Department will be at 2,145,800 by FY17. This 5.5 percent reduction equates to 123,900 fewer troops and will be spread throughout the components of the force.

- Army Active, Reserve, and Army National Guard (NG) end strength in FY13 is projected to be 1,115,300–0.9 percent less than FY12. In FY17 the end strength will be 1,048,200, a 6.8 percent reduction from FY12.
- Navy Active and Reserve end strength in FY13 is projected to be 385,200–1.7 percent less than FY12. In FY17, the end strength will be 376,600, a 3.9 percent reduction from FY12.
- Marine Corps Active and Reserve end strength in FY13 is projected to be 236,900–2.0 percent less than FY12. In FY17 the end strength will be 221,700, an 8.3 percent reduction from FY12.
- Air Force Active, Reserve, and Air NG end strength in FY13 is projected to be 501,000–1.9 percent less than FY12. In FY17, the end strength will be 499,300, a 2.3 percent reduction from FY12.

A force drawdown of this size has not been experienced since well before 9-11.

### **Total Force Management**

The Department will face force management challenges over the next several years which are far greater than those we have experienced since September 11, 2001. We must balance the competing requirements for equipment reset, modernization and support for our service members and their families in a climate of reduced budgets. Responsibly managing the required force reduction, while ensuring we keep faith with those who have sacrificed so much to secure our Nation's interests, and properly caring for our military families as many service members transition to veteran status is a responsibility taken very seriously and one which my organization is helping to facilitate. The Congress aided this effort immeasurably by recently enacting legislation that expanded voluntary separation programs which provide appropriate recognition for significant military service, such as the temporary early retirement authority (TERA) which gives the Military Departments the flexibility to offer retirement to service members with more than 15 but less than 20 years of service. We will continue to work with the Congress to reinstate additional expired authorities from previous drawdowns that would offer the Department the ability to focus separations and avoid the loss of critical expertise.

The Department's Total Force of active and reserve military, government civilians and contracted services represents a carefully coordinated approach that balances operational needs, satisfies mission requirements, and recognizes fiscal constraints. Our future plans will seek to

balance the capabilities and cost of all elements of the Total Force. They cannot be managed in isolation if we are to avoid a hollow force and unnecessary expense. Our plans recognize:

- o Decreased operational commitments and revised overseas posture;
- o A Reserve force that is an operational asset;
- o A highly skilled civilian workforce capable of performing mission essential and inherently governmental tasks;
- o Contracted support that is cost effective and designed to provide appropriate and complimentary support to our operational needs;
- o Civilian decreases that have been carefully targeted to deliver efficiencies initiated by Secretary Gates; and
- o Efficient management of our contractor workforce as part of our Total Force mix and not as just an acquisition management action.

**Active Duty Recruiting**

Recruiting for the All-Volunteer Force continues at unprecedented levels. The Department closed out FY11 with all active Services meeting or exceeding recruiting objectives, both numerically and by recruit quality. As shown in Table 1, we continue that record pace into FY12, with 44,414 new recruits against an objective of 44,323 through January of this year. Recruit quality remains considerably above Department benchmarks (or standards), with 98 percent of new recruits having a high school diploma (90 percent benchmark) and 80 percent scoring above average in aptitude (60 percent benchmark) on the Armed Forces Qualification Test (AFQT). Of particular note is the fact that very few recruits accessed at or below the 30<sup>th</sup> percentile on the AFQT through January of this year.

**Table 1  
Recruit Quality (FY 2012 Through January)Active Components**

AC Enlisted Recruiting FY12 (End of January)	Quantity			Quality						
	Accessions	Goal	Percent of Goal	Percent High School Graduate; Benchmark = 90%		Percent Scoring at / above 50th Percentile on AFQT; Benchmark = 60%		Percent Scoring at / below 30th Percentile on AFQT; Benchmark = 4%		
Army	17,123	17,050	100	G	95	G	64	G	<1	G
Navy	9,289	9,289	100	G	99	G	93	G	0	G
Marine Corps	7,795	7,777	100	G	100	G	76	G	0	G
Air Force	10,207	10,207	100	G	100	G	99	G	0	G
DoD Total	44,414	44,323	100		98		80		<1	

Quantity Key: 100 percent or above goal; 90-99 percent of goal; below 90 percent of goal  
 Quality Key: 100 percent or above benchmark; 90-99 percent of benchmark; below 90 percent of benchmark

Generally, a slow economy makes recruiting less challenging, and operates to the advantage of those who are hiring, including the U.S. military; clearly, the current state of our economy has been one of the drivers of this recruiting success. As we see signs of economic improvement, we will remain vigilant and continue to monitor the impact of that improvement on our recruiting efforts. Despite the positive effect of the economy on recruiting, there remain other factors counterbalancing our ability to attract bright, young Americans into the Armed Forces—the lower likelihood of influencers of youth (e.g., parents and teachers) to recommend service, a large and growing proportion of youth who are ineligible to serve in the military, higher numbers of youth going to college directly from high school, and continuing concerns about the prolonged worldwide, irregular campaign with its concomitant high operations tempo. Therefore, we are in uncharted waters with significant factors directly affecting military recruiting in both positive and negative ways.

Due to these direct effects on recruiting, and as the Nation faces a demographic shift, it is important that the Department align its recruiting assets to tap emerging markets. Leveraging the diverse perspectives, and cultural, language and regional competencies present in our force ensures we encourage innovation and optimize mission success with respect to evolving challenges we will face well into the 21<sup>st</sup> Century. We are carefully reviewing recruiting programs to align funding and policies with current realities as we recognize the necessity of current and future budget constraints. We will strive to ensure the resources dedicated to recruiting are reasonable and remain at levels that will not compromise success. The Services will decide where best to take those cuts and any realignments undertaken will be done carefully and their effects closely monitored.

**Recruit Quality:** The Department generally reports recruit quality along two dimensions—aptitude and education. Both are important, but for different reasons.

Aptitude is an indicator of trainability and job performance. All recruits take an enlistment test called the Armed Services Vocational Aptitude Battery (ASVAB). One component of the ASVAB, the Armed Forces Qualification Test (AFQT), measures math and verbal skills. Those who score at or above average on the AFQT are in Categories I-III A, while those who score between the 10<sup>th</sup> and 49<sup>th</sup> percentile are placed in Categories II B and IV. Applicants scoring

below the 10<sup>th</sup> percentile are ineligible to enlist. We value higher-aptitude recruits because their training and job performance are superior to those who score in the lower categories.

The Department's educational enlistment policy groups education credentials into three tiers—Tier 1, consists primarily of traditional high school diploma graduates; Tier 2 consists of alternate credential holders, to include home-school and virtual/correspondence schools; and Tier 3 is non-graduates. Education credential is used not to measure the quality of education or the intelligence of the applicant, but rather the applicant's likelihood of completing his or her enlistment term. Years of research and experience indicate about 80 percent of recruits with a high school diploma complete their first three years of service, whereas only about half of those without a high school credential will complete three years. The attrition rates of those holding an alternative credential (e.g., GED) fall between these extremes. The Department's benchmark is that 90 percent of new recruits are high school diploma graduates.

As a result of the evolving methods of education delivery across the Nation, Section 532 of the National Defense Authorization Act (NDAA) for FY12 required the Department to restructure the education credential tiers we use to determine enlistment priority. Specifically, the Act expanded Tier 1, "High School Diploma Graduate," to include graduates of alternative educational delivery methods. From past experience, we find these individuals, on average, have significantly higher attrition rates—the current first-term attrition rate for high school diploma holders is 28 percent; alternate credential holders average a 38 percent rate. We remain concerned about the long-term impacts of this policy change as it costs the Services approximately \$55,000 to replace (recruit, train, equip, pay) each individual who fails to complete his or her initial term of service. Nevertheless, the new policy will be in place by July of this year as directed, and we will monitor the attrition behavior of these recruits. Additionally, as encouraged in the legislation, we will continue to develop new methods of identifying those who are qualified for recruitment and enlistment into the Armed Forces. These methods may include use of a non-cognitive test, adaptive personality assessment, or other operational attrition screening tools to predict performance, behaviors, and attitudes of potential recruits which influence attrition and the ability to adapt to a regimented life in the Armed Forces.

**Active Component Retention:**

Similar to our recruitment numbers, the Army, Air Force, Navy, and Marine Corps all exhibit strong retention numbers for the first four months of FY12 continuing a trend from the previous year (Table 2). The resilience of the All-Volunteer-Force through two wars continues to prove the tremendous dedication and patriotism of the men and women serving our great Nation. I am humbled by their willingness to place themselves in harm's way and do their Nation's bidding.

That said, I also recognize we will face new challenges as the economy improves, conflicts subside, and uncertainty rises over the drawdown of the force. The Department must ensure meaningful missions, support for our military families, and complete transparency regarding our reduction efforts. Despite budget pressures we are committed to careful and deliberate reviews of service member and family programs with an eye on retention. We can ill afford to arrive at the end of the drawdown with a force that does not match the capabilities the Nation requires and without the resources necessary to make adjustments. Towards this end, I am encouraged by the plans offered by the services as they make difficult force reduction decisions. For example, the Services are limiting reductions in accessions to ensure we meet future requirements, and they are offering voluntary separation programs to service members prior to taking involuntary separation actions whenever possible. We also intend to extend to the Congress our commitment of transparency in these efforts. Together I am convinced we can create an environment that avoids the pitfalls experienced throughout history by most post-conflict militaries. While this will undoubtedly prove extraordinarily challenging, I believe you will agree we owe it to our Nation and to the soldiers, sailors, airmen and Marines who will continue to stand watch for the generations to come.

**Table 2**  
**Active Duty FY 2012–January Retention Report:**

Active Duty Retention by Service by Zones of Eligibility					
	Status	Reenlisted	Mission YTD		FY12 Retention Goals
<b>Army</b>					
- Initial	G	6,165	5,593	110%	32,893
- Mid-Career	G	3,807	3,662	104%	21,974
- Career	G	1,545	1,545	100%	13,133

Navy					
- Initial	G	3,782	1,992	190%	9,180
- Mid-Career	G	2,349	1,261	186%	4,974
- Career	G	1,947	1,404	139%	3,773
Marine Corps					
First	G	5,305	2,100	253%	6,300
Subsequent	G	5,107	2,733	187%	8,200
Air Force					
- Initial	G	5,998	4,812	125%	15,927
- Mid-Career	G	3,561	2,883	124%	9,543
- Career	G	2,812	2,512	112%	8,315

<sup>1</sup>Mission YTD represents the cumulative monthly percentage of the Service's FY Goal.

<sup>2</sup> Retention year traditionally starts on July 1<sup>st</sup> even though the numbers are not official reported until October 1<sup>st</sup>. The Marine Corps frontloads the retention year and first termers tend to reenlist early in the FY.

### ***Women in the Service***

The Department has recently completed a review of how we assign women in the service. As requested by the Congress, the Department, in coordination with the Military Departments, reviewed laws, policies, and regulations, including our co-location policy, to determine if any changes were needed to ensure female members have an equitable opportunity to compete and excel in the Armed Forces. We took a hard look at the current restrictions on women, and recommend changes within the report to Congress (available to the public online [http://www.defense.gov/news/WISR\\_Report\\_to\\_Congress.pdf](http://www.defense.gov/news/WISR_Report_to_Congress.pdf)). Pending expiration of the Congressionally-required notification period, the Department will implement a change to policy that eliminates gender-based assignment restrictions to units and positions that are doctrinally required to physically co-locate and remain with direct ground combat units that are closed to women. These recommendations will open over 14,000 positions to women, including six Army occupational specialties. The Department is not stopping with the policy changes set forth in the report. The Services will continue to evaluate these recommendations to inform future policy revisions in addition to developing gender-neutral standards for physically demanding occupations. Secretary Panetta directed the Secretaries of the Military Departments and Chiefs of

Military Services to report their progress on the development of gender-neutral standards, assessment of newly opened positions and recommendations for any further positions that can be opened, six months after implementing these changes. We continue to reiterate our commitment to removing all barriers that would prevent service members from rising to the highest level of responsibility that their talents and capabilities warrant.

***Implementation of the Repeal of “Don’t Ask, Don’t Tell”***

Since September 20, 2011, the effective date of repeal, the Services report there have been no significant issues related to the implementation of the repeal of “Don’t Ask, Don’t Tell.” By all accounts, implementation is going smoothly across the force. We attribute this success to our comprehensive pre-repeal training programs, combined with the discipline of our service members and continued close monitoring and enforcement of standards by our military leaders at all levels. Prior to repeal, the Department saw a preponderance of the force, 2.25 million service members, trained regarding the necessary policy and regulation changes that went into effect on “Repeal Day.”

The Department and the Services remain engaged in ongoing implementation efforts. A formal monitoring process ensures continual assessment and reporting to the Secretary of Defense. Elements of this monitoring process include regular Service assessment reports and periodic surveys of service members. Through this feedback mechanism, the most common question we hear from the field is about benefits—specifically, whether or not benefits will be extended to same-sex partners. The Department is engaged in a comprehensive review of the possibility of extending eligibility for additional benefits, when legally permitted, to same-sex partners, and our goal is to complete this review by the end of the fiscal year. With leadership, professionalism, discipline, and respect, the Department and our service members remain fully committed to the implementation effort, consistent with our standards of military readiness, effectiveness, unit cohesion, and recruiting and retention for the Armed Forces.

***General, Flag Officer, and Civilian Senior Executive/Equivalent Efficiencies***

In 2011, the Secretary of Defense made the decision to eliminate, reduce, or reallocate 140 general or flag officer (GFO) positions and a minimum of 150 Civilian Senior Executive / Equivalent (CSE) positions. The Department designated 102 GFO positions for elimination

(complete removal from structure or downgrade of a position to a grade of O-6 or below) and 211 CSE positions for elimination. By the end of the year, we had eliminated 29 GFO positions and reduced 20 positions to a lower grade of GFO. We are moving forward to implement the remaining efficiencies gradually over the next several years as conditions allow, not adversely affecting missions or forcing readiness. Three years ago, Congress' authorization of the Joint Pool created the foundation for increased flexibility for the Department in the management of positions. This latest efficiency effort will take those policies to the next level and will create flexibility for each of the Military Departments to ensure their readiness to respond to any emerging threat. CSE reductions are being implemented based on a two-year strategy. To date, 93 Senior Executive Service, Senior Level or Senior Technical (SES/SL/ST) positions, and 57 Defense Intelligence Senior Executive and Defense Intelligence Senior Level (DISES/DISL) positions have been reduced. The remaining CSE efficiencies will be completed by March 2013.

#### ***Growing Language and Culture Capabilities***

The President directed the Department to sustain U.S. global leadership as we transition from a long-term engagement in two wars toward a more global presence focused on the Asia-Pacific and the Middle East. Though Service end strengths will decrease, the demand for language skills, regional expertise, and cultural awareness will increase, as these capabilities are essential not only to our mission readiness but to achieving national security, building partner capacity, and strengthening alliances. Currently, nine percent of military personnel have tested or self-professed foreign language skills at any level of proficiency and five percent have skills that meet the Department's need for limited working language proficiency or above.

Increasing the language capabilities of the Department depends on recruiting policies, training, assignment policies, retention, overall career management, and the U.S. educational system. We have efforts underway to coordinate national and Departmental language capabilities, as well as initiatives for long-term sustainment. The goal is to ensure a spectrum of programs that include pre-accession, and in-service military and civilian training, while establishing new career paths for personnel with language and culture skills. These efforts include increasing the foreign language skills of the Department's military and civilian personnel, as well as outreach to our Nation's schools and universities to promote the teaching of

critical languages. All these efforts are essential to achieving a force, a Nation, and a citizenry capable of facing the threats, opportunities, and challenges we will confront in the 21st century.

#### ***Drug Demand Reduction***

The abuse of illicit and prescription drugs in the U.S. military has substantial implications on force readiness and safety. The goal of the Drug Demand Reduction (DDR) Program is to protect readiness and the well-being of our civilian and military personnel by detecting and deterring drug abuse. Toward that end, the Department and Services have recently expanded the existing panel of tested drugs to include frequently abused prescription medications, such as Vicodin and Valium. The Department's minimum random drug testing goal is 100 percent with a positive rate below two percent. Overall, drug positive rates for active duty military personnel across all Services have continued to decline and the current rate of positive specimens is below one percent, the lowest in the program's history. As with many programs, the DDR Program incurred a reduction in budget which will require additional efficiencies in collection, outreach, and educational programs. This will also require increased targeted random drug testing.

#### ***Suicide Prevention***

Every person within the Department of Defense is a valuable team member and each loss to suicide is a preventable tragedy. For this reason, we are taking aggressive steps to address suicide by enacting policies, providing supportive services and assistance, implementing training initiatives and publishing education materials, and conducting data surveillance and research to support service members and their families. For example, the Department increased behavioral health providers from 6,590 to 8,898 total providers, a 35% increase over the past three years, adding mental health providers in primary care settings and embedding them with front line units. We have also partnered with the Department of Veterans Affairs (VA) to build a continuum of support for transitioning members. This partnership will not only provide more service options for our members, it will allow us to compile more complete data that could lead to better predictive and preventative measures.

We are building and shaping resiliency and coping skills through realistic and interactive training to ensure every Service member can recognize the warning signs of suicide and encompass the skills and knowledge necessary to purposely intervene. An example of this is the

award winning “Never Leave a Marine Behind” Noncommissioned Officer suicide prevention training program. Additionally, the Defense Center of Excellence for Psychological Health and Traumatic Brain Injury is conducting research and publishing fact sheets, articles and other materials to assist care providers, peers, chaplains, and leaders prevent suicide.

We are committed to further research on understanding and preventing of suicide as with the ARMY Study To Assess Risk and Resilience in Service Members (ARMY STARRS), which is the largest study of mental health risk and resilience factors ever conducted among military personnel. Conceived by scientists at the NIH’s National Institute of Mental Health (NIMH), ARMY STARRS was formalized through a memorandum of agreement that authorized NIMH to conduct an extensive investigation with Army funding. The ARMY STARRS program is led by an interdisciplinary team of Army, Academic, and NIH investigators.

Though we have been able to arrest the increasing rate of suicides over the past three years, the Department continues to work hard to reduce these tragedies. We have established a Defense Suicide Prevention Office to serve as the focal point for developing and overseeing suicide prevention policy, training, and programs across the Department. This office will also collaborate with Military Departments to implement the recommendations of the Department of Defense Task Force on the Prevention of Suicide, and serve as our lead with the VA and non-government organizations to identify and institute a continuum of suicide prevention efforts for personnel leaving the Department.

#### ***Sexual Assault Prevention and Response***

As Secretary Panetta has stated, this Department has a zero-tolerance policy against sexual assault and this is a leadership issue first and foremost. We have received the final numbers from the Services and the Department had 3,192 reports of sexual assault in FY11; because of underreporting, estimates are closer to 19,000 (per a FY10 Defense Manpower Data Center survey). This is in stark contrast to the first sample survey in 2006, when the estimate was 34,000. Since 2006, more victims are stepping forward to report assaults and the percentage of alleged sexual assault offenders facing court-martial proceedings has increased.

In this past year alone, we have made significant strides. We recently published a revised Directive expanding our support to assault victims to include military spouses and adult military dependents, the Department’s civilians stationed abroad and the Department’s U.S. citizen

contractors in combat areas. In addition, two new policies address expedited transfers and the retention of law enforcement records for 50 years. To ensure national standards for victim services, we are establishing a sexual assault advocate certification program and, we established the DoD Safe Helpline which provides anonymous and confidential, 24/7 hotline and texting support to victims anywhere in the world. We are collaborating with the VA and Department of Labor to establish a continuum of care for victims of sexual assault transitioning from military to civilian life and will use the DoD Safe Helpline as a vehicle to help these transitioning service members.

To improve the tracking of reports, the Defense Sexual Assault Incident Database will be implemented by March 31<sup>st</sup> and be fully operational by August 31<sup>st</sup>. Because sexual assault cases are some of the toughest cases to investigate and to prosecute, the Department has committed funding through FY17 to provide sexual assault specific training for judge advocates and criminal investigators and we are assessing the Sexual Assault Prevention and Response training for commanding officers and senior enlisted leaders. We will continue to hold the perpetrators appropriately accountable and all military service members will live up to the high standards set.

#### ***Compensation***

Senior leaders in the Department place a high value on the willingness of America's military personnel to serve their country. We understand our compensation system must be competitive, recognize the demands of military service, and always provide sufficient compensation to attract and retain qualified personnel. The 9<sup>th</sup> Quadrennial Review of Military Compensation shows that service members need to be paid equal to or better than 70 percent of their civilian counterparts.

Through the work of Congress, our service members received generous military pay raises over the past decade and, as a result, military compensation has increased and significantly exceeds that 70th percentile. Additionally, over the past decade, the Department and Congress addressed a host of challenges ensuring military compensation remained competitive, and this has allowed the Department to continue to succeed in recruiting and retaining the high-quality, All-Volunteer Force required by the Nation, despite nearly a decade at war.

As we reset following the end to combat operations in Iraq, the beginnings of force reductions in Afghanistan, and in light of the Nation's economic crisis and our expected manpower reductions, slowing the future growth of military compensation will be important. As

mentioned earlier, we expect challenges in recruiting and retention to grow over the next few years as both the economy and labor market continue to improve. The current, competitive military compensation package makes the Department well suited to respond to those challenges, even during this time of war. As a result, we have requested full pay raises for FY13 and FY14, and more limited pay raises beginning in FY15. For FY13, this would provide an increase in military basic pay for all service members of 1.7 percent, which is in line with earnings increases seen in the private sector as measured by the annual change in the Employment Cost Index.

The Department also understands current fiscal pressures demand change, and that the costs of military compensation are significant. Some cost savings will be achieved through proposing more limited pay raises beginning in FY15. However, in the continuing search for budget cuts and efficiencies, we are evaluating the military compensation system, focusing first on military retirement. As I stated before the subcommittee in October of last year, we have been conducting a vigorous, internal review, and are working diligently to identify and evaluate retirement alternatives. In addition to this ongoing review, the Department recommends Congress establish an independent commission to review military retirement, as requested by the Administration. We fully support formation of such a commission, and if enacted, we will provide significant input. Most importantly, our review is performing critical and rigorous modeling and analysis of various alternatives. While many in the private sector, and elsewhere, have suggested alternatives to the current military retirement system, few have undergone rigorous modeling or analysis. We are committed to ensure any proposal we develop is sound and does not harm the Department's ability to recruit and retain the future force. Secretary Panetta has also made clear that current members will be grandfathered; for those who serve today, there will be no changes in retirement benefits. Following the review of military retirement, we plan to continue our comprehensive, broad-based review of military compensation in search of additional efficiencies and savings.

### **Reserve Component**

The FY13 budget supports the increased utilization of the Reserve Components (RC) as called for in the National Defense Strategy and will enable the RCs to continue to fulfill their vital national security role. The Department's Ready Reserve totaling about 1.1 million members contributes 43 percent of total military end strength at a cost of nine percent of the total base

budget. The National Guard (NG) and Reserve provide trained, ready, and cost-effective forces that can be employed on a regular operational basis, while also ensuring strategic depth for large-scale contingencies or other unanticipated national crises.

Prior to 2001, the RCs were primarily a strategic reserve with occasional operational missions as needed to augment active forces. Since 2001, RC units and individuals have been heavily employed across the full spectrum of military operations and have demonstrated their readiness and criticality. Our current NG and Reserve is, arguably, the most combat seasoned reserve force ever, and we plan to capitalize on this significant investment to provide needed military capacity during current austere economic times.

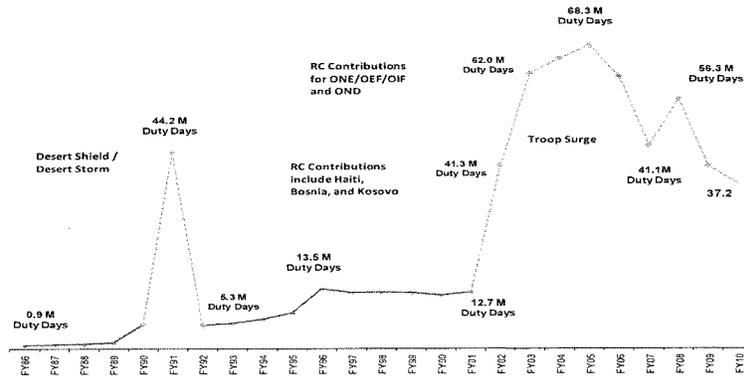
The FY13 budget anticipates the Department will continue to use the Guard and Reserve as a vital part of the operational force and—where it makes sense—as a force of first choice. Today’s Citizen Warriors have made a conscious decision to serve, with full knowledge that their decisions mean periodic recalls to active duty under arduous and hazardous conditions. In approximate numbers, as of December 31, 2011, the Ready Reserve currently consists of:

- o Selected Reserve: 844,400
- o Individual Ready Reserve: 220,000
- o Inactive NG: 3,700

#### ***Reserve Component Utilization***

The chart below clearly demonstrates how use of the RCs has changed dramatically since 1990. The RC has become an integral part of the Nation’s military force participating in nearly every mission worldwide for the past two decades. As this practice continues, the Department has emphasized prudent and judicious management and use of the RC to help mitigate stress on the Active Force.

### **Reserve Component Contributions** (through October 2010)



Total RC usage in support of Contingency Operations since September 11, 2001 is 835,689 (809,913 Selected Reserve and 25,776 Individual Ready Reserve). Of those, 80 percent have deployed in the U.S. Central Command area of responsibility. On December 31, 2011, there were 86,213 RC members activated in support of ONE/ONE ; of those, 35,361 were deployed in the Central Command theater.”

#### ***Re-aligning Capabilities***

The RC is well suited for use as a source of strategic depth as well as in a wide variety of operational roles, including providing: (1) rotating operational units deployed in response to Combatant Commander needs and Service requirements; (2) units and teams deployed in support of Theater Security Cooperation and Building Partner Capacity activities around the globe; (3) individual augmentees who can be deployed in response to Combatant Commander, Defense agency, or Service needs; (4) units, teams, and individuals to support core Unified Command Plan missions such as Homeland Defense and Defense Support of Civil Authorities, as well as to support Governors in state security; and (5) units, teams, and individuals assigned to support Department or Service institutional needs. RC forces are well-suited for missions and tasks in support of Theater Security Cooperation and Building Partner Capacity activities and specialty

missions requiring unique skills, particularly when the RC units have an enduring relationship with a supported command.

***Individual & Medical Readiness***

One of the key aspects of maintaining a viable, operational RC is to ensure that our military members and our civilian employees maintain the highest level of individual readiness. We must focus on maintaining the appropriate physical fitness levels for a force that has a higher average age than the Active Component. Similarly, ensuring that our RC members are medically and dentally ready to serve is of the utmost importance.

Employing the RC as operational force requires modifications to training schedules and funding requirements. Before we operationalized the RC, normal minimum training profiles consisted of training two days per month plus 14-15 days of active duty for training annually. During that training time, RC personnel were required to meet the same standards as their Active counterparts. While that training profile remains in-place for some types of units, for those with planned deployments, training days prior to mobilization increases. This training profile, with more training pre-deployment and less post-deployment, minimizes mobilized time away from families and civilian jobs. Increasing individual readiness by modifying training profiles with resources and policies is a major focus area that will allow the Guard and Reserve to capitalize on the gains made during the last decade and enable sustained use of the RC as an operational force.

We continue to monitor Individual Medical Readiness of the NG and Reserve to ensure availability of ready RC members for deployment, as it is a priority for the Department. By the fourth quarter of FY11, the RC had increased its Fully and Partially Medically Ready (FMR/PMR) rate five percent over first quarter FY11 rates, and reduced the Indeterminate population by six percent. Most notably, the Marine Corps Reserves improved their FMR status by 16 percent and reduced the PMR rate by 14 percent—over half of the FY11 first quarter rates. The Coast Guard Reserve also made great improvements increasing their FMR rate by nine percent, and reducing their Indeterminate and Not Medically Ready population by four and six percent respectively. While we continue to face challenges with Dental Readiness, all Services are over the 75 percent goal except Army Reserve and Army NG which are at 71 and 73 percent respectively. We are working diligently to improve access to medical and dental services for RC

members. For example, the Army Reserve now budgets additional medical and dental services into their Readiness Accounts for RC members if needed.

***Yellow Ribbon Reintegration Program (YRRP)***

The YRRP is a Congressionally-mandated program whereby the Services provide RC service members and their families with critical support, information, services, and referrals throughout the entire deployment cycle focused primarily on local community resources to maximize successful Service member reintegration back into their civilian lives. During the past three years, the YRRP has evolved into a successful, forward-leaning program providing essential readiness and resiliency training and resources to over 800,000 service members and designees. In FY11, Congress appropriated \$16 million to the YRRP for enhanced outreach and reintegration employment activities which allowed the Department to support various State-led initiatives.. YRRP's FY12 funding is entirely dedicated to supporting its legislatively mandated core activities. To support the use of the Operational Reserve in the future, we will ensure funding for Service YRRPs is moved to their base line budgets.

***Employer Support of the Guard and Reserve***

The Employer Support of the Guard and Reserve (ESGR) core mission is to develop and promote employer support for Guard and Reserve service by advocating relevant initiatives, recognizing outstanding support, increasing awareness of applicable laws, and resolving conflict between employers and service members. For the past 40 years, ESGR has been the lead organization in the Department for service members and their civilian employers with respect to the Uniformed Services Employment and Reemployment Rights Act (USERRA). In executing its core mission, ESGR works with service members and employers to resolve disputes whenever possible. This not only assists the service member, but lessens the number of cases opened by the Department of Labor for formal investigation and resolution. Through its network of 4,800 volunteers, ESGR accomplished the following during the past year:

- o Through *Employer Outreach*, ESGR volunteers briefed 153,062 employers regarding their rights and responsibilities in accordance with USERRA and attained 45,140 Statements of Support. Employers signing a Statement of Support pledged support for their employees serving in the Guard and Reserve, while also focusing on opportunities to hire Guardsmen, Reservists, and Veterans.

- Through *Military Outreach* efforts, ESGR volunteers briefed 473,891 service members regarding their rights and responsibilities under USERRA. In turn, service members recognized supportive employers with 4,049 nominations for the 2011 Secretary of Defense Employer Support Freedom Award and acknowledged 16,559 supervisors with ESGR's Patriot Award.
- ESGR's *Ombudsman services* are supported by over 600 trained USERRA experts spread across the country and by a National Customer Service Center. Together, the Ombudsmen fielded 29,727 USERRA inquiries and handled 2,884 cases. ESGR Ombudsmen provided free, neutral mediation to resolve nearly 80 percent of all cases, in less than nine calendar days. For cases that cannot be resolved by the Ombudsman, service members are informed of their option to file a complaint with the Department of Labor, where a formal investigation will be conducted as to the merits of the complaint.

#### ***Unemployment and Underemployment***

The Department knows that civilian employment is an important piece of a RC service member's readiness, and the current high unemployment rate is a clear threat to the readiness of our force. The Bureau of Labor Statistics January 2012 report showed that the unemployment rate for all Veterans (including Guardsmen and Reservists who previously served on active duty) was 7.5 percent nationwide. The unemployment rate among Gulf War era II veterans (those serving since 9-11) was 9.1 percent. For Reservists and Guardsmen, the January 2011 Status of Forces Survey of RC Members shows a self-reported 23 percent unemployment rate among junior enlisted members in the grades of E-1 to E-4.

As a result of these high unemployment rates, the Department launched an Employment Initiatives Program in January 2011 and began focused efforts such as employment assistance workshops, job fairs, employment summits, and other local community programs. Beginning in March 2011, ESGR volunteers assisted the U.S. Chamber of Commerce in the launch of their mega-hiring fairs around the country connecting more than 84,000 Veterans, RC members and military spouses, to over 4,300 different employers. As a result of the combined effort, more than 7,300 veterans, service members, military spouses and 50 wounded warriors have gained employment.

This past December 2011, we launched a comprehensive, multi-faceted program called "Hero2Hired," (H2H). Using lessons learned from this past year and from the U.S. Army Reserve Employer Partnership of the Armed Forces program, H2H was developed to address the gap in employment assistance services and support for RC service members who are not considered veterans in law and so are ineligible for VA employment programs. H2H focuses on

helping RC service members connect to and find jobs with military-friendly companies that seek employees with specific training and skills. H2H is a powerful, comprehensive employment program with a powerful job search site ([www.H2H.jobs](http://www.H2H.jobs)) and online community that is made available at no cost for veterans, service members, and employers. In 2012, H2H and the U.S. Chamber of Commerce are sponsoring 40 job fairs in high RC unemployment areas.

#### ***Equipment Procurement & Transparency***

Unlike other areas of the Defense budget, there is currently no Reserve-specific appropriation for equipment that mirrors the Active force. The RC relies on the Active procurement account to meet equipment requirements and provide adequate capabilities. Congress has been generous in providing additional support through the NG and Reserve Equipment Appropriation (\$1 billion for FY12), providing funding for modernization and critical dual-use equipment.

Full transparency and accountability can only be achieved through a full life cycle, enterprise approach to Reserve equipping. The life cycle includes requirements determination, budget requests, appropriation, purchase, and delivery of hundreds of thousands of pieces of equipment. The importance of transparency doesn't stop when an item is delivered to a RC unit; plans to return borrowed RC equipment are included as key deliverables in this process. The RC procurement funding lines continue to be treated as a non-binding projected subset of the Service Procurement Programs and we are investigating other options such as making the NG and Reserve equipment a sub-line within the main procurement line.

#### **Transition to Veterans Affairs**

Today's Veterans face a number of challenges in making the transition to civilian life, and among these is embarking on a productive post-military career. For every success story of a Veteran who has turned skills developed in the military into success in the civilian workplace, there are, as President Obama has said, stories of Veterans who come home and "struggle to find a job worthy of their experience and worthy of their talent." As I mentioned earlier in the discussion of RC underemployment, we see these struggles most clearly in high unemployment rates for Veterans. Making this situation more urgent is that, as we draw down from the wars in Iraq and Afghanistan and we make difficult decisions about our future force structure in light of

the fiscal challenges the Nation faces, the number of service members—particularly young service members—departing the military over the next several years will increase.

Making a firm commitment to employ America's Veterans, in August 2011, the President called for the creation of a Task Force led by the DoD and VA with and other agencies including the Department of Labor, Department of Education, Department of Commerce, Small Business Administration, and the Office of Personnel Management, to develop proposals to maximize the career readiness of all service members. In coordination with our VA, DoL, and DoE partners, DoD's role involves implementing and sustaining a comprehensive plan to ensure that all transitioning Service Members have the support they need and deserve when they leave the military. This includes working with other agencies in developing a clear path to civilian employment; admission into and success in an academic or technical training program; or successful start-up of an independent business entity or non-profit organization. The effort is fully aligned with the VOW to Hire Heroes Act of 2011 and is consistent with DoD's commitment for keeping faith with all of our military members and their families, providing them a comprehensive set of transition tools and support mechanisms as they complete their service to our Nation.

## **HEALTH AFFAIRS**

The Military Health System provides extraordinary care on the battlefield to our service members—both preventing illness and injury to those in harm's way, and rapidly treating those who are wounded. The performance of our military medical system in a time of war continues to set new standards for battlefield survival rates, the reintegration of many who are wounded back into their units and for returning those who need additional care back to the United States.

In addition to these successes, the military health system provides access to care for over 9.6 million beneficiaries, no matter where they live. We provide this access through our direct health care system and through our managed care support contracts. This health care benefit is justifiably one of the finest in the country and is an appropriate benefit for those who serve our country. However, the costs of providing this care continue to increase more rapidly than overall inflation. For a number of years, and through several Administrations, there have been continuous, incremental steps taken to reduce the rate of growth in the costs of healthcare.

The Department is pursuing a balanced, four-pronged approach by which all stakeholders share responsibility for improving the health of our population and the financial stability of the system of care. Our four approaches—moving from a system of healthcare to one of health; continuing to improve our internal efficiencies; implementing provider payment reform; and rebalancing cost-sharing—are further described below. In some instances, they reflect efforts already underway, or new initiatives that the Department is implementing within existing legislative and regulatory authorities.

### **Moving from Healthcare to Health**

The Department of Defense's military medical leaders are leading a strategic effort to move our system to one that promotes and sustains the optimal health of those we serve, while providing world class healthcare when and where it is needed. Central to this effort are the Department's investments in initiatives that keep our people well; that promote healthy lifestyles; and that reduce inappropriate emergency room visits and unnecessary hospitalizations.

Over the last two years, the Department introduced the Patient-Centered Medical Home and over 2.2 million are currently enrolled. We are beginning to see the benefits of this new model of care with decreases in emergency room visits; increased compliance with provider directions and drug prescriptions; and increased patient satisfaction for those enrolled. We've also placed behavioral health staff within these medical homes, improving access with reduced stigma, for our patients needing the support of mental health providers. A valued component of the medical home is the introduction of secure patient-provider email communications, allowing our patients to directly communicate with their medical providers without the need for a physical visit to the clinic. In 2013, we will continue to expand this model to all of our primary care clinics in the military health system, and increase the tools available to patients to help manage their own care.

Aligned with that initiative is the introduction of a 24/7 nurse advice line for all stateside beneficiaries based on our effective use of this approach for our military beneficiaries in Europe. This will provide beneficiaries with around-the-clock access to toll-free nurse advice services. When the caller requires follow-up care, this service will provide direct appointing services for beneficiaries enrolled to TRICARE Prime in our military treatment facilities. We will implement this added service this year.

In moving from healthcare to health, we have also engaged the broader DoD community—line leaders, commissaries, dining facilities, schools and child development centers. By changing menus, promoting better food choices and healthy lifestyles we will encourage healthy lifestyle changes. The First Lady, Michelle Obama, recently visited one of our leading installations, Little Rock Air Force Base, to highlight the progress we have made.

Finally, we have taken a number of steps to support preventive services. Our TRICARE beneficiaries—whether enrolled to TRICARE Prime or in TRICARE Standard—have no co-payments for recommended preventive services, such as influenza immunizations.

The “Healthcare to Health” element of our strategy will not produce immediate cost savings. Nonetheless, based on early results from our efforts, as well as experience in the private sector, we are confident that these, and other ongoing enhancements to the TRICARE program, will produce improvements to health that also “bend the cost curve.” In the longer term, it is the strategy most likely to produce the greatest amount of savings to our system.

### **Internal Efficiencies**

Over the last twenty-four months, the Department has reduced internal costs by decreasing headquarters administrative overhead, reviewing more cost-effective governance models, jointly purchasing medical supplies and equipment, and directing patients to lower cost venues for medications.

Last year, the Secretary of Defense directed specific efficiency targets across the Department. As a result, over the last eleven months we have reduced or eliminated contractor support in the Office of the Assistant Secretary of Defense (Health Affairs) and the TRICARE Management Activity (TMA). Overall savings from internal efficiencies are projected to provide \$259 million in savings for FY 2013.

In June 2011, the Deputy Secretary of Defense established a Task Force on Military Health System (MHS) Governance, with the purpose of evaluating options for the long-term governance of the MHS as a whole; governance in those areas where more than one Service operates medical treatment facilities—referred to as multi-Service markets, and governance for the National Capital Region (NCR). In late September, the Task Force provided their recommendations, after which senior Department leaders including Chairman of the Joint Chiefs of Staff began review of the Task Force recommendations.

Implementation of any organizational efficiencies resulting from this Task Force has been placed on hold at the direction of Congress, subject to a review by the Comptroller General and Congress. We will provide Congressional Committees with the information requested regarding the Task Force work, and will develop more detailed cost and savings estimates for any eventual governance model. After the Deputy Secretary of Defense approves a “way ahead,” we will be prepared to answer any additional questions that you have.

The Department has accelerated tri-service processes to standardize and jointly acquire medical supplies and equipment. We project savings that grow from \$31 million in FY12 to more than \$69 million in FY17. We have also engaged with our beneficiaries who have chronic medical conditions and high utilization of prescription drugs. Through a targeted outreach campaign, we have redirected a significant number of our patients from retail network pharmacies (our most expensive outlet) to home delivery—an option that is more economical for the government and the beneficiary, and has been shown to increase drug compliance.

### **Provider Payment Reform**

We are committed to identifying greater efficiencies and cost savings in all areas of our operations. In addition to internal efficiencies we can achieve through reorganization and consolidation, we are also seeing significant savings through a number of initiatives we have introduced in the last several years. These include the implementation of the outpatient prospective payment system; further use of federal ceiling prices for acquisition of pharmaceutical products; a redirection of patients to our TRICARE mail order pharmacy—where prescription drugs are less expensive to both the government and patients, and is shown to increase patient adherence to their medication regimen; and the policy changes we made for reimbursement to select hospitals and health plans in the TRICARE network.

The Department has undertaken a broad-based, multi-year effort to ensure all aspects of our provider payments for care purchased from the civilian sector are aligned with best practices in Medicare and in private sector health plans. The most notable efforts have included implementation of changes to the outpatient prospective payment system (OPPS) and reform of payment to Sole Community Hospitals.

OPPS is modeled after the payment process that Medicare uses for similar health care services—setting a fixed fee per procedure, inclusive of provider and institutional charges for

care. In order to allow medical facilities to transition to this new method of payment, TRICARE phased in the reimbursement levels over four years, with the full implementation of this policy set to occur in 2013. In FY12, we project \$840M in savings, and \$5.5B over the fiscal years 2012-2017.

Our provider payment reform for Sole Community Hospitals was approved by the Congress in the NDAA for FY12. This reform is also phased-in over time, producing a projected \$31M in savings in FY12, but growing to more than \$108M in savings by 2017.

In the area of purchasing prescription drugs, in 2009 we instituted a process for obtaining discounts on drugs distributed through retail network pharmacies. Known as Federal Ceiling Prices (FCP), prescriptions purchased under FCP are at least 24 percent less than non-Federal Average Manufacturer prices. In 2012, the FCP program will save the Department over \$1.6B, and will grow to almost \$2B in savings by 2017.

### **Beneficiary Cost-Shares**

In addition to the focus on internal and external efficiencies, our proposed budget introduces changes to the health care out-of-pocket costs for our beneficiaries.

I want to make three critical points related to these proposals. First, even accounting for these proposed fee changes, the TRICARE benefit will remain one of the finest health benefits available in the country, with among the lowest beneficiary out-of-pocket costs available to anyone—and certainly lower than costs by other federal government employees. We believe that is appropriate and properly recognizes the special sacrifices of our men and women in uniform, past and present.

Second, these proposals were developed within the Department, and represent the input and consensus of our uniformed leadership. They have endorsed these proposals, and believe that we have appropriately balanced the need for a superb benefit that assists with both recruitment and retention of an all-volunteer force with our need to sustain a cost-effective approach for the long-term.

Third, we recognize that some beneficiary groups should be insulated from increases in out-of-pocket costs. We propose to exempt those service members, and their families, who were medically retired from military service, as well as the families of service members who died on active duty. We also propose to establish cost-sharing tiers, with lower increases for retirees

based on their retirement rank. More junior enlisted retirees, for example, will experience the lowest dollar increases in out-of-pocket costs. Finally, we have also avoided any changes in cost-sharing for active duty families with the exception of prescription drug co-payments obtained outside of our medical treatment facilities (MTFs). Prescription drugs distributed within MTFs will continue to be free of charge for all beneficiaries.

For over fifteen years, patient out-of-pocket costs were either frozen or decreased. This was true for all beneficiary categories—active duty families; retirees under age 65 and their families; and retirees and their families who are Medicare-eligible. Last year, we introduced very modest changes in one segment of our population—increasing TRICARE Prime enrollment fees for retiree families by \$5/month. We further recommended that these enrollment fees be indexed so that future increases continue to be modest and beneficiaries can plan for them. We greatly appreciate the Congress' support for these proposals in the FY12 budget, and have implemented those fee changes in the current year.

For FY13, we propose additional changes to fees across a broader set of programs. Although last year's changes were a necessary step, the federal budget crisis and the need to balance cost reduction efforts throughout the Department necessitate these actions begin in 2013, with most changes phased in over time. The following sections provide a high-level overview of the proposed changes in beneficiary out-of-pocket costs, and Table 3 summarizes the proposed phased-in fees through 2017, followed by the estimated indexing of the proposed fees through 2022.

**Table 3**  
**New TRICARE Proposals**

**TRICARE Prime for Working Age Retirees (under Age 65)**

As part of the FY 2013 President's Budget, the Department will seek additional increases in the TRICARE Prime (Health Maintenance Organization (HMO) type plan) enrollment fees in order to bring the beneficiary cost share closer to the original levels mandated by Congress when the program was established. These increases will be phased-in over a 4-year period and will be tiered based on the amount of the beneficiary's military retirement pay.

Below displayed are the proposed fees by fiscal year for the three tiers of retired pay. After FY 2016, the enrollment fees will be indexed to increases in National Health Expenditures (NHE). The retired pay tiers will also be indexed to ensure beneficiaries are not pushed into a higher tier as a result of annual cost-of-living (COLA) increases. The construct and tiering are generally based on recommendations of the 2007 *Task Force on the Future of Military Health Care*.

Retired Pay	TRICARE Prime Annual Family Enrollment Fees (Individual Fees = 50%)					
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016*	FY 2017
Tier 1: \$0 – \$22,589	\$460/\$520	\$600	\$680	\$760	\$850	\$893
Tier 2: \$22,590 – \$45,178	\$460/\$520	\$720	\$920	\$1,185	\$1,450	\$1,523
Tier 3: \$45,179 & above	\$460/\$520	\$820	\$1,120	\$1,535	\$1,950	\$2,048

\* Indexed to medical inflation (National Health Expenditures) after FY 2016

**TRICARE Standard and Extra for Working Age Retirees (under Age 65)**

The TRICARE Standard and Extra (fee-for-service type) benefit programs currently have no enrollment fees and modest annual deductibles of \$150 per individual and \$300 per family. For FY 2013, the Department proposal will seek to implement an annual enrollment fee and increase deductibles. These increases displayed in below will be phased-in over a 5 year period and will then be indexed to increases in NHE.

**TRICARE Standard/Extra Fees/Deductibles**

Annual Enrollment Fees	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017*
Individual	\$0	\$70	\$85	\$100	\$115	\$130
Family	\$0	\$140	\$170	\$200	\$230	\$250
Annual Deductibles						
Individual	\$150	\$160	\$200	\$230	\$260	\$290
Family	\$300	\$320	\$400	\$460	\$520	\$580

\* Indexed to medical inflation (National Health Expenditures) after FY 2017

**TRICARE-for-Life Benefit (TFL) Benefit Program for Retirees age 65 and Older**

Like almost all Americans, upon reaching age 65, TRICARE beneficiaries must enroll in Medicare and begin paying Medicare Part B (outpatient care coverage) premiums. With Part B coverage, Medicare typically covers only 80 percent of eligible health care services and some people choose to be covered by "Medigap" or other private insurance policies to lower cost-sharing and receive additional coverage. Enacted in 2001, the TFL program acts as a second payer plan for TRICARE beneficiaries covering the costs not paid by Medicare. While the average "Medigap" plan with comparable coverage carried premiums \$2,100 per individual in 2009, there are currently no annual fees for TFL coverage. As part of the FY 2013, President's Budget, the Department is proposing to implement modest annual fees for TFL coverage. These fees will be phased in over a 4-year period and use the same tiering based on the beneficiary's retired pay along with the same indexing and exemptions as the proposed TRICARE Prime fees. The table below displays the proposed TFL fees by fiscal year for the three tiers of retired pay.

**TRICARE-for-Life Annual Enrollment Fees – Per Individual**

Retired Pay	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016*	FY 2017
Tier 1: \$0 – \$22,589	\$0	\$35	\$75	\$115	\$150	\$158
Tier 2: \$22,590 – \$45,178	\$0	\$75	\$150	\$225	\$300	\$317
Tier 3: \$45,179 & above	\$0	\$115	\$225	\$335	\$450	\$475

\* Indexed to medical inflation (National Health Expenditures) after FY 2016

**Pharmacy Co-Pays**

This proposal will adjust pharmacy co-pay structure for retirees and active duty family members to incentivize the use of mail order and generic drugs. Prescriptions will continue to be filled at no cost to beneficiaries at Military Treatment Facilities (MTFs). No fees would continue to apply to prescriptions for active duty service members. Proposed co-pays for prescriptions filled through the TRICARE retail and mail order pharmacy programs follow.

**Pharmacy Co-Pays**

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>Retail – 1 month fill</b>						
Generic	\$5	\$5	\$6	\$7	\$8	\$9
Brand	\$12	\$26	\$28	\$30	\$32	\$34
Non-Formulary*	\$25	N/A	N/A	N/A	N/A	N/A
<b>Mail-Order – 3 month fill</b>						
Generic	\$0	\$0	\$0	\$0	\$0	\$9
Brand	\$9	\$26	\$28	\$30	\$32	\$34
Non-Formulary*	\$25	\$51	\$54	\$58	\$62	\$66
<b>Military Treatment Facilities</b>	No Change – Still \$0 Co-Pay					

\* Non-Formulary pharmaceuticals will have limited availability in retail pharmacies

**Catastrophic Cap**

In order to maintain the adjusted beneficiary cost share, the annual catastrophic cap \$3,000 per family will also be indexed to NHE and exclude enrollment fees. Finally, to protect the most vulnerable, these proposals exempt survivors of members who die on active duty and medically retired and their family members from these increases. However, it should be noted that even once the proposal is fully implemented, the TRICARE Prime program remains a very generous benefit with the average beneficiary cost share well below the original 27 percent of health care costs when the program was fully implemented in 1996.

Fee increases for TRICARE programs. The following proposed changes represent increases from existing patient out-of-pocket costs:

- TRICARE Prime Enrollment Fees. We propose to raise the enrollment fees in 2013 for retired service members and their families between \$80–\$300 per year, based on the retirement pay of the service member, and continue to provide similar increases through 2017.
- TRICARE Deductibles. We propose to increase deductibles for the TRICARE Standard program for retired service members and their families beginning in FY13. TRICARE deductibles have not been changed since before the TRICARE program was introduced, having last been adjusted over 20 years ago.
- TRICARE Pharmacy Co-Pays. We propose to increase pharmacy copayments for generic, brand name and non-formulary prescriptions in both the retail and mail order settings, although we will continue to offer significant incentives for beneficiaries to elect mail order over retail pharmacy networks. This change is proposed for all non-active duty beneficiaries, to include active duty family members. Prescription drugs obtained in military hospitals and clinics will continue to be provided without co-pay for any beneficiaries.

New fees for TRICARE programs. Our proposed budget also calls for the introduction of new fees not previously part of the TRICARE program.

- TRICARE Standard/Extra Enrollment Fee. We propose to introduce an annual enrollment fee in TRICARE Standard/Extra for retired service members and their families. This enrollment action will require beneficiaries to elect their preferred primary benefit coverage—TRICARE Prime, TRICARE Standard, or other health insurance offered through an employer. The proposed fee for 2013 will be \$40/year for an individual retired beneficiary, or \$140 per retired family.
- TRICARE For Life (TFL) Enrollment Fee. When TFL was introduced in 2002, there was no enrollment fee in the program, only a requirement that beneficiaries be enrolled in Medicare Part B to enjoy their TFL benefit. Medicare Part B was always a step that we recommended our retirees elect, and prior to 2002, over 95 percent of eligible military retirees were enrolled in Medicare Part B. The TFL benefit has reduced beneficiary out-of-pocket costs by thousands of dollars per year in co-payments or Medicare supplemental health insurance plan payments. The proposed TFL enrollment fees, similar to the TRICARE Prime enrollment fees, are tiered, based on an individual's retirement pay—and range from \$35 to \$115 per beneficiary per year.
- Exclusion of Enrollment Fees from the Catastrophic Cap. We propose that enrollment fees, which had previously accumulated toward a retiree's catastrophic cap limit, will not be counted toward the cap beginning in 2013.

- Indexing all fees beginning in 2014. In addition to the indexing of the TRICARE Prime enrollment fee, which is already indexed, we propose to index other beneficiary out-of-pocket costs identified in this set of proposals, to include the TRICARE Standard deductible, TRICARE Standard enrollment fee, TFL enrollment fees, pharmacy co-payments, and catastrophic caps.

These proposed changes continue to be modest by historic standards of cost-sharing in the TRICARE program. In 1994, when TRICARE was originally created, a working age retiree's family of three contributed approximately 27 percent towards the total cost of their care; today that percentage has dropped to ten percent. Even with these proposed changes, the percentage would still remain below the percentage originally set by Congress, averaging approximately 14 percent of range of overall health care costs in 2017—and stabilizing at that level for the out-years.

These adjustments are an important step to setting the TRICARE benefit on a more sustainable path that maintains the quality of the medical benefit for future generations. Moreover, the overwhelming majority of these adjustments will be phased in over a four to ten year period and will be appropriately indexed to ensure future sustainability and guarantee transparency. These proposals—one element of a four-pronged effort at cost control—will help shift us toward more effective and cost-efficient processes that will allow us to provide better care while meeting our obligations to help reduce our budgets.

### **Wounded Warriors**

The 2007 revelations regarding Walter Reed were a stark wakeup call for us all. In the nearly five years since, the Department has worked in tandem with VA to improve policies, procedures, and legislation that impacts the care of our wounded warriors. As a result of efforts in both Departments and in Congress, we have reached important milestones in improving care for our wounded warriors. These milestones include a new disability evaluation system and improved case management that are the result of a programmatic cohesion with the VA that is better than ever before. More so than at any time in our Nation's history, separating service members are greeted by more comprehensive mental and physical care; by greater opportunity for education, and by a deeper societal commitment to ensuring their welfare.

***Disability Evaluation System/Integrated Disability Evaluation System***

The genesis of the Disability Evaluation System (DES) was the Career Compensation Act of 1949. The DES remained relatively unchanged until November of 2007 when, as a result of public concern and congressional interest, the joint DoD and VA Senior Oversight Committee (SOC) chartered a DES Pilot designed to create a "Service Member-centric" seamless and transparent DES, administered jointly by the DoD and VA.

The Pilot launched at the three major military treatment facilities (Walter Reed, Bethesda, Naval Medical Center, and Malcolm Grow) in the NCR on November 21, 2007 and successfully created a seamless process that delivers DoD benefits to wounded, ill and injured service members and VA benefits to service members as soon as possible following release from duty. We found the DES Pilot to be a faster, fairer, more efficient system; and, as a result, in July 2010, the SOC co-chairs (Deputy Secretary of Defense and Deputy Secretary of Veterans Affairs) directed worldwide implementation to start in October 2010 and to complete in September 2011. On December 31, 2010, the first Integrated Disability Evaluation System (IDES) site became operational, which marked the end of the pilot, and the name was formally changed to the IDES.

The IDES, similar to the pilot, streamlines the DES process so that the member receives a single set of physical disability examinations conducted according to VA examination protocols, proposed disability ratings prepared by VA that both DoD and VA can use, and processing by both Departments to ensure the earliest possible delivery of disability benefits. Both Departments use the VA protocols for disability examination and the proposed VA disability rating to make their respective determinations. DoD determines fitness for duty and compensates for unfitting conditions incurred in the line of duty (title 10), while VA compensates for all disabilities incurred or aggravated in line of duty during active military, naval, or air service for which a disability rating of ten percent or higher is awarded, and also determines eligibility for other VA benefits and services (title 38). The IDES permits both Departments to provide disability benefits at the earliest point allowed under both titles. Service members who separate or retire (non-disability) may still apply to the VA for service-connected disability compensation.

In summary, the IDES features a service member-centric design, a simplified process, more consistent evaluations and compensation, a single medical exam and disability rating, seamless transition to Veteran status, case management advocacy, and establishment of a Service member

relationship with the VA prior to separation. It also provides increased transparency through better information flow to service members and their families and a reduced gap between separation/retirement from Service to receipt of VA benefits. As of January, IDES enrollment is 23,602 service members (66 percent Army, 14 percent Marines, 10 percent Navy, 10 percent Air Force). Since November 2007, cumulative enrollment has been 40,911, with 12,640 completing the queue and receiving benefits. Including return to duty cases in the process, active component member IDES completion time averages 380 days as of January 2012, RC members average 441 days, and the Guard averages 371 days. These averages are above our targeted goals but still are significantly lower than the 1940-era legacy system it replaced which averaged an estimated 540 days by combining DoD and VA systems.

This past year, the Department partnered closely with the VA to implement the IDES at all 139 sites worldwide; however, we recognize the need to do better in the areas of timeliness to complete the process. This year our focus will be on such timeliness improvements. We have made significant policy adjustment to remove efficiency impediments, made procedural improvements, enhanced oversight and assistance to the Military Departments, and added resources that should improve Military Department performance in this area. We will enhance our emphasis on leadership, execution, and resourcing the IDES to handle increased volume while decreasing the time spent in the process.

In addition, the Departments are looking closely at the stages of the system that are outside of timeliness tolerances and are developing other options to bring these stages within goal. We are committed to working closely with Congress to explore new initiatives to further advance the efficiency and effectiveness of the disability evaluation process.

#### ***Recovery Coordination Program***

The Recovery Coordination Program (RCP) was established by the FY08 NDAA, and was further defined by the Department of Defense Instruction (DoDI) 1300.24, entitled "Recovery Coordination Program." Together these provide a comprehensive policy on the care and management of recovering service members, including the assignment of a Recovery Care Coordinator (RCC) to help wounded, ill and injured service members and families through the phases of recovery, rehabilitation and reintegration. The policy also provides for standardized training, and a caseload ratio of not more than 40 recovering service members per RCC.

Currently, there are 171 RCCs in 84 locations worldwide, placed within the Army, Navy, Marines, Air Force, United States Special Operations Command and Army Reserves. More than 3,800 service members and families have the assistance of an RCC, whose responsibilities include ensuring the service member's non-medical needs are met, and assisting in the development and implementation of the Comprehensive Recovery Plan (CRP). Each RCC receives more than 40 hours of Department-sponsored standardized training, including information on roles and responsibilities and concepts for developing the CRP. Additionally, we are now beginning to train Army "Advocates" in order to bring their program into compliance with the legislative mandate that every recovering service member be provided a DoD-trained RCC. RCC training is continually enhanced based on feedback from participants. After the October 2011 training, 90 percent of students rated the instruction and course materials as "excellent."

Over the past five years, we have added \$26.953 million, resulting in increased numbers of RCCs available to provide care coordination to our recovering service members. Looking ahead, each Military Service will continue to identify and resource their requirements for additional RCCs. In addition to standardized training for RCCs, the CRP has expanded to include several other portfolios, many of them identified as key priorities for the non-medical care management of recovering service members during a Wounded Warrior Care Coordination Summit held in March 2011.

The Wounded Warrior Education and Employment Initiative (E2I) operates on a regional basis and engages recovering service members early in the recovery process to identify skills they have, career opportunities that match those skills, and any additional skills they might need to be successful. The process is overseen by Regional Managers currently located in five regions across the United States. The E2I process also relies on collaboration with the VA, which is governed by a Memorandum of Understanding to provide VA's vocational rehabilitation services earlier in the recovery process than ever before.

The Operation Warfighter program (OWF) also supports this White House priority by placing wounded, ill and injured service members in Federal internship opportunities that positively impact their rehabilitation and augment career readiness by building resumes, exploring employment interests, obtaining formal on-the-job training, and gaining valuable Federal government work experience. There are currently more than 500 OWF interns working

in approximately 75 Federal agencies and sub-components around the country, with a total of more than 2,500 placements in 105 agencies and sub-components since the inception of the program. The program is also supported by five Regional Coordinators placed across the country. Going forward, the Regional Coordinators will continue to focus on local and regional outreach to strengthen relationships with Federal agencies to improve and enhance internship and employment opportunities for wounded, ill and injured service members.

The Warrior Athletic Reconditioning Program (WARP) engages wounded, ill and injured service members early in individualized physical activities outside of traditional therapy settings, inspiring recovery and encouraging new opportunities for growth and achievement. This new initiative will be implemented throughout the Department. WARP partners include the Service chiefs from each branch of the Military, as well as the United States Olympic Committee. WARP goals include increasing awareness and participation in adaptive sports at the Service-level, as well as preparing athletes for participation in competitive events such as the Warrior Games.

These measures when taken together, substantially and materially affect the life experience of our men and women in uniform and the families who support them. Our work to improve the care of wounded warriors, especially as they transition from DoD to VA, is the core of our efforts to provide those who have sacrificed so much with the care and benefits they deserve. Despite the significant achievements, we should not underestimate what remains to be done as we care for a new generation of veterans who have served under very difficult circumstances for sustained periods. We will continue to work with our colleagues at VA and throughout the government to provide our service members with the highest quality care and treatment. Taking care of our wounded, ill and injured service members is one of the highest priorities for the Department, the Service Secretaries, and the Service Chiefs.

## **TOTAL FORCE SUPPORT**

### **Military Family Policy**

One of the four over-arching principles of the Defense strategy is to preserve the quality of the All-Volunteer Force and not break faith with our men and women in uniform or their families. Despite difficult economic circumstances necessitating budget reductions across all

levels of government, the Department remains committed to providing military families with support programs and resources that empower them to address the unique challenges of military life. To this end, the Secretary of Defense has directed that Family Programs and Mental Health Care be maintained as a priority for the Department. Some key programs and initiatives are:

- ***Spouse Education and Career Opportunities:*** The DoD Spouse Education and Career Opportunities (SECO) program is a holistic, spouse-centric initiative designed to meet the needs of all military spouses as they explore portable career interests and strive to overcome common barriers to their education and career goals. One of the components of SECO is the My Career Advancement Account (MyCAA) that provides eligible military spouses with tuition assistance as they pursue requirements for a portable career. The Department has also expanded upon the Army's Spouse Employment Partnership program model. A significant number of "Fortune 500 Plus" employers now participate in the Military Spouse Employment Partnership (MSEP), with over 150,000 jobs posted on the [www.MSEPJobs.com](http://www.MSEPJobs.com) web portal and 15,000 spouses hired by MSEP employers. We are expanding the portal to include a new function which automatically matches posted spouse resumes to posted employer job openings. We are also instituting an electronic MSEP partner application and streamlining the vetting and approval process. These enhancements will allow companies to become partner employers more quickly. Webinars and online training resources are helping new schools and employers to improve their understanding and support for military spouse employees who seek employment continuity and upward career growth as they relocate to new duty stations.
- ***Voluntary Education Opportunities:*** During FY11, our Voluntary Education program helped fund 866,788 enrollments by over 300,000 service members, which resulted in 44,692 diplomas and 528 certifications/licensures. Service members are "blending" their course work, taking both traditional and on-line courses, with approximately 73 percent of service members taking some courses on-line. Due to this, we now require all postsecondary institutions participating in the DoD Tuition Assistance program to follow certain standards of conduct; we are tracking compliance and monitoring to ensure there is continuous quality improvement.
- ***Family Readiness Programs:*** With budget and personnel reductions we can expect an increase in stress-related demand for support from our military families and we are prepared to meet that demand using the wide range of family support programs and partnerships. This includes developing virtual applications for the delivery of what has traditionally been in-person support, and providing surge capability. The Department is working closely with the Services to reduce redundancy and increase efficiency. For instance, we are in the process of developing a new community capacity-building toolkit and online professional development modules to streamline the training and development of our family support staff, and improve capacity. The last Military Family Readiness Council meeting was held in December 2011. We are identifying new members and working in coordination with the military Services to select spouses and/or parents to represent their Services. The next MFRC is projected to be during the 3rd quarter of FY12.
- ***Non-Medical Counseling:*** Demand for non-medical counseling continues to increase, and access to non-medical counseling is a Department focus area. We continue to

enhance confidential non-medical counseling via two delivery systems, the Military Family Life Consultants (MFLC) and the Military One Source (MOS) Program. Non-Medical Counseling augments the military support programs currently in place, and is designed to help service members and families cope with normal reactions to the stressful situations created by deployments, family separations, war, and reintegration. MOS non-medical counseling is offered by licensed clinicians who have private practices in the local community. The MFLC program began as a pilot in 2004, and today, more than 1,100 MFLCs provide confidential non-medical counseling support on 229 installations throughout the world. In FY 2011, the program provided face-to-face counseling sessions to approximately 6.6 million people. At a commander's request, additional MFLCs may also be mobilized and deployed to provide "surge" counseling support. Non-medical counseling is provided by licensed clinicians who are deployed to installations and are assigned to work at the family centers, child development centers, youth centers, schools, and are embedded into brigades.

- **Military OneSource (MOS):** MOS provides call center and web-based information, referral, counseling, and educational materials. Services are available worldwide, 24 hours a day, at no cost to the user. In FY11, MOS responded to almost a million telephone calls, received 3.6 million on-line visits and assisted service members and families with over 200,000 Federal and State tax filings. Other MOS services include relocation assistance, document translation, child care and education resources, special needs consultation, elder care consultation, on-line library resources, and health and wellness coaching. Accessed via MOS, the Wounded Warrior Resource Center (WWRC) provides immediate assistance to wounded, ill and injured service members, their families, and caregivers. In 2011, WWRC resolved 3,056 cases for wounded warriors, an increase from 2010.
- **Family Advocacy Programs (FAP):** The FAP addresses physical, sexual, and emotional abuse and neglect involving active component military personnel and family members either as victims or abusers. We evaluate the effectiveness of FAP through rates of family maltreatment and outcome measures for prevention and treatment. Through 10 years of high stresses on our families due to wartime deployments, our rates of such family maltreatment have remained relatively stable; however, we continue to monitor this carefully. For two consecutive years, 85 percent of those who participated in our New Parent Support Program for at least six months had no substantiated child abuse or neglect the following year, and 90 percent of substantiated spouse abusers who completed FAP treatment had no substantiated spouse abuse the following year.
- **Child Care:** The Department continues to expand child care capacity that supports RC families while the Service member is deployed, geographically-dispersed active duty military families, and service members living in areas in the continental United States where on-installation military child care is unavailable. Ongoing efforts are focused on ensuring the availability of child care options that meet quality standards, including health and safety standards and standards for developmentally-appropriate practices.
- **Youth Programs:** Faced with their own unique challenges, military youth aged 6-18 can turn to a number of quality programs serving more than 600,000 military youth around the world designed to prepare young people to meet the challenges of military life, adolescence, and adulthood. We have developed relationships with other federal agencies

and nationally-recognized organizations such as the Boys & Girls Clubs of America and the USDA's 4-H Youth Development Program. Through these relationships, we offer more than 300 camp opportunities each year for military youth, and are a vital component of our support to geographically-dispersed youth of the NG and RCs.

### *Special Needs*

The Department and the Military Services continue to provide support to military families with special needs. During the last two years, 120 additional family support personnel have been hired and deployed to installations worldwide; we now have a total of over 400 providers who provide information, referral and education to families with special needs. The Exceptional Family Member Program (EFMP) family support component also provides non-clinical case management to those families who need additional assistance with accessing services on the installation and in their local communities. The Office of Community Support for Military Families with Special Needs developed a mobile website, accessible from smart phones; that website provides military families with information on the EFMP and contact information for enrollment and family support providers. The mobile website also provides podcasts and links to other materials available to military families with special needs.

The Department engages with military families with special needs by participating in the Congressional Military Family Caucus sessions and reviewing input from families during focus groups and on-line. We also established an EFMP family panel composed of ten families who represent all military Services, active duty, and RCs, and ranks. Family members with special needs are of all ages (children through adults) and with a wide variety of disabilities. Their issues range from access to medical care, availability of comparable services in the public schools, and lengthy waiting lists for Federal and State programs.

To address the needs of this population, the Office of Special Needs has partnered with the DoD children and youth programs to provide training through Kids Included Together® on the inclusion of children with special needs into children and youth programs. They have also partnered with the TRICARE Management Activity to communicate better with families about their benefits and accessing care, and to support them with portability of care during moves.

***DoD-State Initiatives***

The Department continues to work with state governments to educate policy makers on the life-challenges faced by service members and their families, and to ensure that state-level policies do not disadvantage military families due to their transient life style. States have addressed several key quality of life issues, to include the impact of frequent school transitions experienced by military children, the loss of income by spouses as a result of military moves, and enforcement of the Congressionally-mandated DoD predatory lending regulation. The state responses have affirmed their commitment to the well-being of the Nation's fighting force. For example, 39 states have approved the Interstate Compact on Educational Opportunity for Military Children, 39 states (plus DC) now provide eligibility for unemployment compensation to military spouses, and 34 states (plus DC) enforce the DoD predatory lending regulation. The Department is continuing this effort in the 2012 state legislative sessions with strong emphasis on support of military families through the issues listed above. We are also promoting expedited occupational licensure processes to allow military spouses to resume their work faster in a new state, and provisions for separating service members to receive credit for their military education, training and experience toward a state occupational license or an academic degree. The Department is continuing to partner with the Uniform Law Commission to inform state legislators of the Uniform Military and Overseas Voters Act which simplifies the absentee voting process by making it more uniform, convenient and efficient. This year the Department is advocating for states to consider establishing Veterans Treatment Courts for service members and Veterans in the criminal justice system who are suffering substance abuse and mental health issues.

***MWR Support to Troops in Combat:***

Support is critical to allow service members to communicate with family and friends, stay physically and mentally fit, and reduce stress. The Department now funds over 514 free MWR Internet Cafes in Iraq and Afghanistan and 135 portable satellite units (known as Cheetahs) to support remote locations. The DoD MWR Online Library offers free downloads of audio and e-books, and access to up-to-date recreation, education and career transition support databases.

The ability of injured service members to engage in recreation and sports is a very important component of rehabilitation and reintegration. Under a contract with Penn State University,

MWR specialists are trained to work with medical personnel, wounded warrior units, and community and non-profit organizations to ensure inclusive and adaptive sports and recreation are included in recreation programs. The DoD Paralympics Program continues to provide rehabilitation support and mentoring to injured service members and veterans who have sustained various types of injuries.

We remain fully committed to supporting the All-Volunteer Force and their families, particularly in light of the unprecedented demands that have been placed on them in recent years. The Department continues to pursue innovations, initiatives and efficiencies that improve the quality of life of its military members and their families. With your continued support, our military force will remain ready, willing and able to serve this Nation with distinction.

### **Military Voting**

The Department is well positioned for the 2012 election, building on its considerable success in the 2010 election efforts. Through direct to the voter outreach programs, easy and quick online voting assistance tools, and aggressive communications and marketing programs, the Department experienced a 21 percent increase in military voter participation rates between 2006 and 2010. The Department is refining and expanding those programs for the 2012 election, as well as direct support to State and local election jurisdiction which deploy online ballot delivery systems, reducing ballot delivery time from 20 to 30 days to 20 to 30 milliseconds.

### **Department of Defense Education Activity**

Ensuring excellence in the education of military children is a top priority for Secretary Panetta and the entire Department. A quality education is both a stabilizing influence in the lives of our children and their families and an overall recruitment, retention and morale element in the readiness of our Force. There are 1.2 million school-aged children with a parent serving in the military. Nearly 86,000 of these children attend one of the schools operated by the Department of Defense Education Activity (DoDEA). Not unlike other parents, military families frequently say that the quality of their children's education is one of the most important criteria when selecting a place to live. The demands of extended conflict and frequent relocations add to the challenges faced by military families. While they are often described as a resilient group, the cumulative

effects of multiple moves and significant parental absences can erode this resilience and, as the research suggests, diminish academic performance in school.

The DoDEA schools offer a 21<sup>st</sup> century, student-centered learning environment that is tailored to meet the needs of military families. To this end, DoDEA is leaning forward and providing military-connected children an educational experience that challenges each student to maximize his or her potential and prepares them to be successful, productive and contributing citizens in today's global economy. DoDEA also is mobilizing its knowledge, expertise and resources to support military-connected children in the U.S. public schools.

The Department has made a number of sweeping commitments to improving the educational experience for military children. Some of these far-reaching commitments are highlighted below:

- DoDEA has joined 46 states in the adoption of the Common Core State Standards. Today, the differences between State educational standards, including variances in graduation requirements, can and have negatively impacted achievement for military children. The Common Core State Standards will help mitigate this academic disruption and provide greater continuity in the educational experiences of our highly mobile children.
- DoDEA has launched a vibrant Virtual Learning program which includes the use of tele-presence equipment in classrooms, to expand course offerings for students. No longer will small enrollments and limited course offerings at one DoDEA school significantly drive the educational experience of students. Student interests and needs now have considerable influence. Through virtual learning, students have access to courses such as Advanced Placement, foreign language, and STEM-related courses that simply would not be possible in some locations.
- DoDEA is adopting a 21<sup>st</sup> century teaching and learning framework, where technology is leveraged to improve the educational experience of children. Ten middle and high schools are converting to a digital instruction platform, and as bandwidth and wireless upgrades are completed, the additional middle and high schools will be converted. With this effort, comes a significant investment in the professional development of our teachers and leaders.
- DoDEA is modernizing and replacing school facilities to ensure that military children have school facilities that are safe, secure, in good repair and provide an optimal learning environment that supports current and future educational requirements. In FY13, DoDEA requested \$657 million for 11 school Military Construction projects.
- DoDEA has ramped up its outreach to U.S. public schools to improve the educational experience for students in non-DoDEA schools. Since 2008, DoDEA has provided 146 grants totaling \$167 million to school districts, in over nine hundred schools. All grants focus on enhancing student learning opportunities, social-emotional support, and educator professional development.

As we move forward with force structure change, DoDEA will continue to work with the Services to right-size schools in the affected communities, will keep students in the forefront, and will stay focused on delivering an excellent education and supporting our families. DoDEA will ensure a “warm-hand off” to the U.S. public schools who may be receiving an influx of military-connected students. Further, we will leverage our civilian workforce shaping tools to provide continuity of employment for all those who wish to continue with their Federal careers.

The Department is charged with the sacred responsibility and privilege of educating the children of our Nation’s military. We know full-well the toll that war, conflict and frequent movements have exacted from our service members and their families. The Department is committed to ensuring that the education of their children will not be among the many sacrifices our families must make to defend our great Nation.

### **Defense Commissaries**

The commissary continues to be one of the most popular benefits with military members and families and is an efficient provider of non-pay compensation to our military personnel. Operated by the Defense Commissary Agency (DeCA), this integral element of the total compensation package significantly contributes to the financial readiness of our military families. An average family of four that consistently shops at the commissary will save nearly \$4,500 per year by taking advantage of the 32 percent savings on their overall purchases. The commissary further enhances financial readiness as a major employer of military spouses and family members. Last fiscal year, 39 percent of DeCA employees in the United States were military spouses or other family members; and the total rises to 63 percent when including military retirees, other veterans, and members of the Guard and Reserve. While enhancing military families’ quality of life, the commissary also provides an excellent return on investment. Last fiscal year, the commissary provided direct savings to commissary customers of \$2.8 billion for a taxpayer cost of \$1.4 billion, a 2-for-1 return. DeCA implemented efficiency reductions in FY12 and there are no plans for additional budget reductions at this time.

### **CONCLUSION**

Putting together this year’s budget request in a balanced package was a difficult undertaking, but I believe we have the right mix of programs and policies in place to shape the force we need

in support of the strategic guidance. We will reduce the rate of growth of manpower costs, to include reductions in the growth of compensation and health care costs. But as we take those steps, we will continue to keep faith with those who serve.

During the past decade, the men and women who comprise the All-Volunteer Force have shown versatility, adaptability, and commitment, enduring the constant stress and strain of fighting two overlapping conflicts. They have also endured prolonged and repeated deployments. Some—more than 46,000 men and women—have been wounded, and still others—more than 6,200 members of the Armed Forces—have lost their lives. As the Department reduces the size of the force, we will do so in a way that respects and honors these sacrifices.



**Jo Ann Rooney**

**Acting Under Secretary of Defense for Personnel and Readiness**



Dr. Jo Ann Rooney is the Acting Under Secretary of Defense for Personnel and Readiness. She is the senior policy advisor to the Secretary of Defense on recruitment, career development, pay and benefits for 1.4 million active duty military personnel, 1.3 million Guard and Reserve personnel, 680,000 DoD civilians, and is responsible for overseeing the overall state of military readiness. The President appointed Dr. Rooney as the Principal Deputy Under Secretary of Defense for Personnel and Readiness on June 2, 2011, following her confirmation by the Senate.



Before assuming her current position, Dr. Rooney was President of Mount Ida College from July 2010 until December 2010 following a successful tenure as the President of Spalding University for eight years from 2002-2010. At Spalding, she was credited with leading a successful financial turnaround and implemented a unique block scheduling system, achieved significant academic improvements and expansion of programs, put in place major IT infrastructure initiatives, significantly expanded enrollment and completed both a new academic building and laboratory and health science classroom facility.

From 1996 to 2002, she served as chief counsel, chief operating officer, chief financial officer, and partner of The Lyons Companies in Waltham, Massachusetts. That firm maintained a national practice specializing in estate planning, capital advising, charitable planning, executive compensation, business succession planning, and benefits planning and administration for corporations, individuals and nonprofit organizations. Prior to the Lyons Companies, she practiced tax law in the Boston area and was a founding partner of the consulting firm of Stearns, Rooney & Associates in Hingham, Massachusetts. In addition to practicing law in Massachusetts, Rhode Island, Florida, U.S. District Court and U.S. Tax Court, Rooney is a member of the Massachusetts, Rhode Island, Florida and American Bar Associations.

Throughout her career, Dr. Rooney has been a leader in education and had a passion for service. Until her appointment as the Principal Deputy Under Secretary of Defense for Personnel and Readiness, she served as Vice Chair of the Jewish St Mary's Health Care System and was a member of the Board of Trustees at Regis University, Denver, Colorado, in addition to numerous other civic and community involvement. In 2010, she was honored with the Mayor's citation for community service and the Lucy Award from Louisville Scholar House – its highest community leadership award. She also received the Today's Woman Magazine 2006 Most Admired Woman in Education Award, the Business and Professional Women/River City, Woman of Achievement Award and the Business First, Partners in Health Care Award for 5 consecutive years. She has been a national speaker and presenter at the American Council on Education (ACE), the Association of Governing Boards (AGB), the CIC President's Institute, Southern Association of College and Schools (SACS) annual conference and CAP/CAEL Conferences.

Dr. Rooney earned an Ed.D. from the University of Pennsylvania, a Master of Laws (LL.M.) in taxation, from Boston University's School of Law, the Juris Doctor (J.D.) from Suffolk University Law School and the Bachelor of Science in Business Administration (summa cum laude) from Boston University.



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**QUESTIONS SUBMITTED BY MEMBERS POST HEARING**

FEBRUARY 28, 2012

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### **QUESTIONS SUBMITTED BY MR. WILSON**

Mr. WILSON. What specific efforts are being made to address suicide and suicide prevention in the National Guard and Reserves? Is there an opportunity for local entities such as universities and hospitals to partner with local Guard units to combat the problem? Where are the biggest gaps right now in suicide prevention outreach?

Dr. ROONEY. There are several efforts underway to address suicide amongst the National Guard and Reserves. First, the Services utilize Suicide Prevention Program Managers (SPPM) to oversee and inform suicide prevention efforts. The Directors of Psychological Health (DPH) operate to assess and refer those needing behavioral health services. The SPPMs and the DPHs work closely together to ensure goals of the suicide prevention program are supported by the proper amount of behavioral health resources in a specific location. The Vets4Warriors Peer Support Helpline is available 24/7 to all of the Reserve Components and their families. It offers access to well trained veteran-peer supporters who have access to behavioral health clinicians and community referral networks. Reserve Component Service and family members can call, text, or chat online with the Veterans Crisis Line, and Military OneSource.

The National Defense Authorization Act for FY 2012 (section 533) requires the Secretary of Defense develop suicide prevention information and resources in a cooperative effort with other entities. DOD is accomplishing this goal with a focus on the Reserve Components through its membership on the National Action Alliance, which is creating a National Suicide Prevention Strategy. A particular focus for this group is Partners In Care, which under the auspices of the Veteran/Military Working Group has developed a pilot in 5 states to involve the faith based organizations in supporting local Reserve Component units by training chaplains. Once the pilot is complete and best practices identified, plans are underway by DOD to expand to all interested states and territories. Also through the National Action Alliance, DOD has networked with organizations interested in reaching Reserve Component members who are enrolled in higher education.

Reserve Affairs has instituted a Suicide Prevention and Resilience Resource Inventory project to identify best practices, gaps, redundancies, and unmet needs among the Reserve Components.

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### **QUESTIONS SUBMITTED BY MRS. DAVIS**

Mrs. DAVIS. The FY12 National Defense Authorization Act requires the Services to treat graduates from non-traditional secondary schools that meet State graduation requirements in the same manner as they treat graduates of secondary schools for the purposes of recruitment and enlistment. As a non-traditional secondary education program that provide mentorship and education focus, the National Guard Youth ChalleNge program has been successful in increasing the high school diploma or GED attainment of its participants by 29%. Under the change in law, will the Department now recognize graduates from the Challenge program as Tier 1 graduates? If not, why?

Dr. ROONEY. The answer to this question will vary state by state. The National Guard Youth ChalleNge program offers many benefits to youth—and key among those benefits for participants is the opportunity for a second chance to earn a high school diploma or a GED Certificate. The law addresses equal treatment for individuals, “Covered Graduates,” who receive a diploma from a legally operating secondary school or otherwise completes a program of secondary education in compliance with the education laws of the State in which the person resides. If a State official attests that a ChalleNge participant is a “Covered Graduate,” then that individual will be given Tier 1 enlistment priority.

**QUESTIONS SUBMITTED BY MR. JONES**

Mr. JONES. I very much appreciate your forthright testimony that I was told you recently gave before the Military Personnel Subcommittee. Unfortunately, I was unable to attend. I have great sympathy for the budget constraints with which our Country finds itself and certainly with those constraints in the DOD budget. That being said, I am very concerned about the proposed changes in cost sharing in the TRICARE pharmacy program.

I strongly believe that TRICARE beneficiaries should not be discouraged from using their local community pharmacy, but should be given a fair choice. TRICARE beneficiaries strongly prefer local, community pharmacies, despite strong incentives that already encourage the use of mail order. Rather than denying patient choice, I believe the department should implement many of the best practices in use in the private sector to manage prescription drug costs, such as increasing generic utilization and improving medication adherence. Other than driving beneficiaries to use mail order, can you tell me what steps the department is taking to control prescription drug costs?

Additionally, I would like to see the cost data that the DOD uses that shows that mail ordering drugs is more cost effective than purchasing them from a drug store? Thank you very much for your consideration and your outstanding service to our Nation.

Secretary WOODSON. We agree that TRICARE beneficiaries should have a choice on where their prescriptions are filled. Beneficiaries continue to have the option of filling prescriptions at a military treatment facility (MTF) pharmacy, a retail network pharmacy, through TRICARE Pharmacy Home Delivery or a non-network retail pharmacy.

Over the last several years, Department of Defense (DOD) has made significant efforts to control rising pharmacy benefit costs. The strategies and efforts pursued have been drawn from private sector best business practices, national trends, Congressional mandates, professional consultants, and independent studies. Each effort has had an effect in controlling the rise in pharmacy costs.

The TRICARE pharmacy benefit, by regulation and consistent with industry practice, has a long standing mandatory generic use policy. The DOD requires that prescriptions be filled with generic medications when generics are available. When a generic equivalent exists, the brand name drug is only dispensed if the prescribing physician provides clinical justification for use of the brand name drug and approval is granted. Approximately 71% of prescriptions for DOD beneficiaries are filled with generics. The remainder prescriptions either have no generic equivalent or have documented clinical justifications.

Many programs and policies surrounding formulary management within TRICARE closely mirror what commercial plans do to manage drug benefits. For example, we have active utilization management programs to encourage the use of cost effective drug therapy through the tiered formulary. Other formulary tools common with commercial practices are step-therapy, mandatory generic use, and prior authorizations. In addition, the Federal Ceiling Price (FCP) refunds collected for brand name prescriptions filled through network retail pharmacies are successful in further lowering drug costs. Substantial additional cost avoidance, over and above the FCP refunds, is obtained by DOD as a result of the ongoing negotiations with the pharmaceutical industry for additional voluntary refunds in return for preferential placement of their products on the TRICARE Uniform Formulary. The recent copay changes have also added to our negotiation leverage with the pharmaceutical manufacturers.

A broad range of Medication Therapy Management (MTM) services are already provided by DOD. MTM is a component of the Patient Centered Medical Home (PCMH) model which is being implemented throughout the MTFs. The PCMH model enables clinical pharmacists to contribute to the healthcare team through services focused on medication management in improving patient clinical outcomes while lowering total healthcare costs. In addition, the TRICARE managed care contractors provide disease management services and case management services where TRICARE determines it to be necessary to achieve cost savings along with desired outcomes.

Based on DOD analysis of maintenance medications, which comprised 19.9M prescriptions filled during 4QFY11 at all three points of service (MTF, Retail, and Mail), the data show that the mail order and MTF venues to be more cost effective points of service. The results showed the mean cost per 90-day supply of a market basket of maintenance medications was 19% lower through either the mail order program or military pharmacies, compared to the retail pharmacy network.

**QUESTIONS SUBMITTED BY MS. BORDALLO**

Ms. BORDALLO. Of the slightly less than 1 million DOD civilians, how many have volunteered to go into harm's way since 2001 and deployed in support of our men and women in theater; how many DOD civilians are currently overseas in theater or other forward deployed areas; of the slightly less than 1 million DOD civilians, how many "sit behind a desk"; and how many DOD civilians fatalities have occurred as a result of Operations Enduring and Iraqi Freedom? How many wounded?

Dr. ROONEY. Since 2001 approximately 52,000 Department of Defense (DOD) civilian employees have volunteered for deployments in the Central Command area of responsibility (CENTCOM AOR) to provide support to our men and women in theater. Currently there are approximately 4,500 civilians deployed in the CENTCOM AOR to support on-going operations.

The DOD currently employs approximately 750,000 appropriated fund employees and approximately 130,000 non-appropriated fund employees in diverse occupations ranging from doctors and nurses to fire fighters, electricians and mechanics to budget analysts, contracting specialists, and attorneys. The Department does not maintain the number of primarily sedentary occupations in any database.

During Operations Enduring Freedom and Iraqi Freedom there have been 14 DOD civilian fatalities. Twelve of those fatalities occurred in Iraq (11 appropriated fund employees, 1 non-appropriated fund employee) and two fatalities occurred in Afghanistan (2 appropriated fund employees). The Department does not track the manner in which non fatal injuries occur.

Ms. BORDALLO. You mentioned civilian reductions of 7,000 across DOD yet the Air Force reports that they have nearly 16,000 civilians they are reducing, and that's just the Air Force. How do you reconcile these figures? Do you believe that reductions in the civilian workforce should mirror and be proportionate to those in the uniformed workforce? How about contractor support to the warfighter? Should reductions in area be proportionate, based on work and deliverables, to other reductions in the Total Force?

Dr. ROONEY. DOD-wide the aggregate reduction in civilians reflected in the fiscal year 2013 budget is approximately 7,000. However, in the Air Force's case, the reductions they are implementing total approximately 16,500 from the service's fiscal year 2011 baseline as a result of efficiencies directed in the fiscal year 2012 budget. To achieve this reduction of approximately 9%, the Air Force conducted a strategic evaluation of their civilian workforce to realign civilian resources from lower priority functions to higher priority mission areas, such as nuclear, intelligence, and cyber. Overall, reductions in the Total Force are correlated to workload and mission prioritization, as well as force structure and overseas posture changes. The fiscal year 2013 budget request reflects our best judgment today and represents a carefully coordinated approach based on the Department's strategy and policy that balances operational needs and fiscal reality.

Ms. BORDALLO. Why would Congress consider any potential changes to recruiting and retention incentives such as military retirement and health care or reductions to essential training accounts when Defense can't identify the cost of what you pay for in contracted services? So what are you doing to reduce contracted services and work requirements instead of just reducing dollars? If you are only reducing dollars then you are likely setting up conditions to default to contractors in light of the current civilian personnel constraints.

Dr. ROONEY. The Department takes very seriously its commitments to the All-Volunteer Force, and any proposed reforms to benefits would be well-reasoned and would be designed to "keep faith" with those who are serving, and have served. Additionally, any proposed reductions to training accounts are based on proposed changes to the Department's strategy, overseas posture and commitments, and force structure. The Department is very committed to increasing visibility and accounting of contracted services, and reducing spending in areas that are not directly linked to the strategy, priorities, and force structure of the Department. To that end, in November 2011, the Department submitted to the Congressional defense committees a comprehensive plan that delineated both short- and long-term actions related to the statutorily required inventory and review of contracts for services. As we implement this plan, we will be able to better understand what we spend on contracted services and the true level of effort associated with those services. Having comprehensive information on contracted services that can be translated to units of measure that are comparable to the other elements of our workforce (military and civilian) is critical to making improved value and planning judgments.

Ms. BORDALLO. In November 2011, you co-signed a comprehensive plan to document contractor FTE and comply with requirements set forth in title 10 for the inventory of contracts for services. How are those efforts progressing?

Dr. ROONEY. The plan submitted in November 2011 included both short- and long-term actions. As delineated in that plan, the Department issued guidance on December 29, 2011 directing the preparation of the fiscal year 2011 inventory of contracts for services. That guidance was a significant step forward in meeting the requirements of title 10, as it broadened the scope of responsibility to all Components of the Department that rely on contracted support, and delineated the requirements for reviewing contracted services in accordance with the statutory requirements. Based on this guidance, we are working with all DOD organizations towards completion of a more accurate and comprehensive data set to be submitted this summer.

Additionally, together with the staff of the Department's Deputy Chief Management Officer, we are working towards implementing the Army's "Contractor Manpower Reporting Application" across the entire DOD-enterprise in order to leverage established processes, lessons learned, and best practices to comply with the law in the most cost effective and efficient manner.

Long-term actions delineated in the November 2011 plan were contingent on approval of an emergency waiver to the Paperwork Reduction Act, which the Department submitted to the Office of Management and Budget in December 2011. As of mid-March, the Department has not received the emergency waiver and is unable to address efforts beyond the short-term until a waiver is granted.

Ms. BORDALLO. The Department requested emergency relief from the Paperwork Reduction Act in order to move forward, after four plus years of non-compliance, with the Inventory of Contracts for Services. However, OMB has failed to act on that request. What is the impact to the Department's progress, and the fiscal implications, of not getting the emergency filing approved?

Dr. ROONEY. As of early April, the Department has not received the emergency waiver to the Paperwork Reduction Act (PRA) as requested from OMB in December 2011 and is proceeding with the full PRA filing process that will take an additional 2-3 months. While the Department continues to press forward and will submit the annual Inventory of Contracts for Services (ICS) in June as required by statute, this submission will include contractor full time equivalents (CFTE) calculated from obligated dollar amounts and an Army factor derived from data reported by their contractors, as opposed to on actual direct labor hours as required by statute. Without the emergency waiver to the PRA as requested, the Department is delayed by at least one more year to demonstrably improve the ICS, and at least two years from full compliance with the fiscal year 2011 NDAA changes to section 2330a of title 10 requiring that CFTE be calculated based on direct labor hours and other data collected from private sector providers.

Until the PRA waiver is granted, the Department cannot take steps to modify statements of work to collect the required data. Most DOD Components had planned to begin modifying statements of work this fiscal year. As a result of the delay, contracts will likely not begin being modified until fiscal year 2013, resulting in a delay until fiscal year 2014 of the first real data collection.

While the fiscal implications are challenging to quantify, they do exist and are related to Components' ability to improve planning for increasingly scarce resources. Delays in collecting direct labor hours prevent the Department from getting an accurate accounting of the level of effort for contracted services, which would facilitate assessing those services using a common unit of measure, full-time equivalents. Without this level of fidelity, making value-based decisions and trade-offs by distinguishing between direct labor hours supporting the mission and indirect costs, overhead, and other costs is adversely impacted. For example, the Army, which has had the necessary PRA waiver in place for over 5 years, has found that approximately half of all Army contract dollars in the base budget go to non-labor costs, such as overhead and profit, rather than direct execution of mission and workload. Such increased fidelity has enabled the Army to more appropriately realign limited resources to its more pressing priorities.

Ms. BORDALLO. Secretary Panetta has stated that the Department is looking at reductions in contracted services as part of the \$60B in savings. Of the \$60 billion, how much exactly is associated with civilian personnel and how much is service support contractors—do you believe this is an appropriate ratio given then ballooning growth over the past 10 years in contracted services?

Dr. ROONEY. Of the \$60 billion, approximately \$13.2 billion (22%) is attributed to better contracting practices and reduced spending on contracted services. As governance plans for these acquisition initiatives are fine-tuned, adjustments to these savings may occur. The total reduction associated with the civilian workforce is approximately \$11.2 billion. Most of this (\$10.4 billion or 92%) is attributable to the adjustment to the civilian workforce pay raise from 2.3 percent to 0.5 percent. The FY 2013 budget reflects a balanced workforce that decreases spending on military personnel, civilian full-time equivalents, and spending for contract services. It re-

flects our best judgment today and represents a carefully coordinated approach based on the Department's strategy and policy that balances operational needs and fiscal reality. The Department remains committed to meeting its statutory obligations to annually review missions, functions, and workforce composition, including reliance on contracted services, and to ensure the workforce is appropriately balanced and aligned to our most critical priorities.

Ms. BORDALLO. Secretary Panetta has stated that the Department needs to reduce the large numbers of contractors. Personnel & Readiness is charged with overseeing and implementing the Department's workforce mix and in-sourcing policies—do you support in-sourcing as one way to reduce reliance on contractors?

Dr. ROONEY. Yes, in-sourcing is one of many tools available to managers to shape the workforce, including reducing inappropriate or excessive reliance on contracted services. I support in-sourcing of contracted services in order to: ensure inherently government, closely associated, or critical work is performed by government civilians or military; maintain management control and oversight of key functions and workload in support of our warfighter; and deliver services in the most cost efficient manner possible.

Ms. BORDALLO. If the Department is holding to FY10 civilian levels and in fact, the FY13 budget further reduces the civilian workforce, how can DOD organizations in-source if it is more cost effective? What recourse, in a particular year of execution, does a manager or Commander have if he wishes to in-source a contract in order to achieve fiscal savings?

Dr. ROONEY. The Department remains committed to its statutory obligations under title 10 to annually review contracted services and ensure that they are being performed in the most cost effective manner possible. Where appropriate, DOD organizations may immediately in-source by absorbing work into existing government positions by refining duties or requirements; establishing new positions to perform contracted services by eliminating or shifting equivalent existing manpower resources (personnel) from lower priority activities; or on a case-by-case basis, requesting an exception to their existing civilian levels. To ensure increasingly constrained resources are allocated appropriately and with consideration for organizational mission priorities, the Department is currently assessing the process by which the civilian workforce is administered in the year of execution in order to increase management flexibilities at the mission level.

Ms. BORDALLO. What if the work is found to be inherently governmental or otherwise should be performed by civilians, instead of contractors? What flexibility is there to immediately convert that work to civilian performance without having to ask permission to add civilians or reduce staffing in other equally important missions?

Dr. ROONEY. The Department remains committed to its statutory obligations under title 10 to annually review contracted services and ensure appropriate performance of functions that are inherently governmental, closely associated, or otherwise exempted from private sector performance (to mitigate risk, ensure continuity of operations, build internal capability, meet and maintain readiness requirements, etc). Contracted services that meet the necessary criteria should be immediately divested, if of low priority, or in-sourced to government performance. Where appropriate, DOD organizations may immediately in-source by absorbing work into existing government positions by refining duties or requirements; establishing new positions to perform contracted services by eliminating or shifting equivalent existing manpower resources (personnel) from lower priority activities; or on a case-by-case basis, requesting an exception to their civilian levels. To ensure increasingly constrained resources are allocated appropriately and with consideration for organizational mission priorities, the Department is currently assessing the process by which the civilian workforce is administered in order to increase management flexibilities at the mission level.

Ms. BORDALLO. How does the DOD's budget request reconcile with legislative language set forth in Division A, Section 8012 of Consolidated Appropriations Act of 2012 (P.L. 112-74) which states that "... during fiscal year 2012, the civilian personnel of the Department of Defense may not be managed on the basis of any end-strength, and the management of such personnel during that fiscal year shall not be subject to any constraint or limitation (known as an end-strength)", and more specifically, that the fiscal year 2013 budget request be prepared and submitted to the Congress as if this provision were effective with regard to fiscal year 2013?

Dr. ROONEY. The DOD budget request complies with Section 8012 of the Consolidated Appropriations Act of 2012 (P.L. 112-74). Defense civilian personnel are not managed on the basis of end-strength. The Defense budget is managed based on executive and legislative guidance, strategic plans, resource levels, workload, and mission requirements. As required by the Congress, the DOD documents the civilian

personnel levels supported in the budget request in the OP-8 exhibit. The OP-8 reflects the specific funding for civilian personnel, as well as the number of full-time equivalents (FTEs) and end-strength.

Ms. BORDALLO. President Obama has made reducing reliance on contractors and rebalancing the workforce a major management initiative of his Administration. Does the Department's FY13 budget request and reductions in the civilian workforce reflect an opinion that the Department has achieved an appropriately balanced workforce?

Dr. ROONEY. The Department's "sourcing" of functions and work among military, civilian, and contracted services must be consistent with workload requirements, funding availability, readiness and management needs. The FY 2013 budget request, and associated civilian workforce reductions, reflects our best judgment today and represents a carefully coordinated approach based on the Department's strategy and policy that balances operational needs and fiscal reality.

Ms. BORDALLO. In FY10, the Department added 17,000 new positions as a result of in-sourcing contracted services. Can you tell us what that number was in FY2011? And to what extent will in-sourcing continue?

Dr. ROONEY. In fiscal year 2011, DOD organizations reported that they established nearly 11,000 civilian positions as a result of in-sourcing contracted services. The Department remains committed to meeting its statutory obligations to annually inventory and review contracted services and identifying those that are no longer required or are inappropriately aligned to the private sector. In-sourcing remains a very effective and critical tool for the Department to rebalance its workforce, realign inherently governmental and other critical work to government performance from contract support, and, in many instances, to generate resource efficiencies.

Ms. BORDALLO. We've heard a lot about decreases and reductions in contracted services, yet when we look at the figures and talk to the field, what is evident is that reductions in contracts are very narrowly defined and limited to only a minuscule subset of what the Department actually purchases in terms of services. Why has the Department chosen to levy across the board reductions to only military E/S and civilian personnel without considering wholesale reductions to more expensive contractors?

Dr. ROONEY. The fiscal year 2013 budget reflects a balanced workforce that decreases spending on military end-strength, civilian personnel, and spending for contract services. It reflects our best judgment today and represents a carefully coordinated approach based on the Department's strategy and policy that balances operational needs and fiscal reality. Proposed reductions in military end-strength are not across the board but are linked to declines in our current overseas commitments; revised strategy, posture and operational planning; and changes to our force structure. Similarly, the proposed reductions in civilian personnel and contracted services are predominantly associated with ongoing organizational assessments and mission/function prioritization in an effort to reduce administrative workload. Contracted services are a key enabler of the war-fighter and a source of overall infrastructure operations, and in many instances provide cost effective support. The Department remains committed to meeting its statutory obligations to annually review services provided by contract, ensuring that they are aligned to our most pressing priorities and continue to be the most cost effective means of delivering such support. As part of such reviews, some services may be identified for in-sourcing because they can be more cost effectively delivered by government personnel, while some services may be determined to be no longer required or of low priority and, as such, be eliminated or reduced in scope. In other instances, continued contracted support may be the most appropriate and cost effective source of delivering services.

Ms. BORDALLO. What assurances can you give me that as wide-spread civilian reductions are occurring across the military departments work is not shifting illegally to contract performance?

Dr. ROONEY. Reductions in the civilian workforce are correlated to workload and mission prioritization. The Department is committed to ensuring that workload associated with civilian reductions does not shift to contract but is eliminated or realigned to other civilians. On December 1, 2011, the Under Secretary of Defense for Personnel and Readiness issued guidance to the Department reiterating the statutory prohibition on conversion of work to contracts. This guidance directed vigilance in preventing the inappropriate conversion of work to contract performance, particularly as the Department adapted to declining budgets. Specifically, managers and Commanders were reminded of their obligations to preclude such illegal shifting of work as they implemented the results of organizational assessments, continued to assess missions and functions in terms of priority, and revisited both their civilian and military force structures. Through the use of our on-going communications with

national labor leadership, the Department has been able to look into allegations of improper workload shifts and, if justified, take corrective actions.

In addition, the DOD has established an internal, multi-level governance process for monitoring implementation of all efficiencies, to include those resulting in civilian workforce reductions. Any issue, such as illegal shifting of work, can be addressed via this governance process for adjudication. If circumstances warrant, an exception request to increase the civilian workforce to meet workload requirements can be made.

Long-term, as the Department makes improvements to its Inventory of Contracts for Services, as required by title 10, we will have increased visibility and accountability into such contracts. Specifically, improvements currently underway will enable the Department to more accurately identify contracted level of effort based on direct labor hours and associated data. This increased fidelity into contracted services will serve as another critical tool for the Department to monitor and preclude possible workload realignment.

Ms. BORDALLO. What processes are in place to ensure the workload associated with reductions being made in the civilian workforce is in fact ceasing, as opposed to being absorbed by other labor sources such as contractors or military personnel?

Dr. ROONEY. Reductions in the civilian workforce are correlated to workload and mission prioritization. The Department is committed to ensuring that workload associated with civilian reductions does not shift to other sectors of the Total Force, such as military or contract performance.

To that end, on December 1, 2011, the Under Secretary of Defense for Personnel and Readiness issued guidance to the Department reiterating the statutory prohibition on conversion of work to contracts. This guidance directed vigilance in preventing the inappropriate conversion of work to contract performance, particularly as the Department adapted to declining budgets and operating in a constrained fiscal environment. Specifically, managers and Commanders were reminded of their obligations to preclude such illegal shifting of work as they implemented the results of organizational assessments, continued to assess missions and functions in terms of priority, and revisited both their civilian and military force structures.

Additionally, on March, 2, 2012, the Under Secretary of Defense for Personnel and Readiness issued guidance to the Department regarding the use of "borrowed" or "repurposed" military manpower. This guidance is intended to ensure that amidst declining operational tempos for our military personnel and, as civilian reductions associated with efficiencies are implemented, military personnel are not inappropriately utilized, particularly in a manner that may degrade unit readiness.

Through the use of our on-going communications with national labor leadership, the Department has been able to look into allegations of improper workload shifts resulting from civilian workforce reductions and, if justified, take corrective actions. In addition, the DOD has established an internal, multi-level governance process for monitoring implementation of all efficiencies, to include those resulting in civilian workforce reductions. Any issue, such as inappropriate shifting of work, can be addressed via this governance process for adjudication. If circumstances warrant, an exception request to increase the civilian workforce to meet workload requirements can be made.

Ms. BORDALLO. There was a lot of discussion last year about the "exceptions" to the FY10 civilian levels Secretary Gates' mandated. What role does Personnel & Readiness have in the exceptions process and is it consistent with statutory requirements set forth for Personnel & Readiness in title 10?

Dr. ROONEY. Personnel and Readiness is a key contributor to the process of reviewing and making recommendations to the Deputy Secretary of Defense for approving growth in the civilian workforce. Requests for civilian growth must be based, in part, on the workforce mix criteria policy issued by Personnel & Readiness. This workforce mix criteria, founded in statutory and regulatory considerations, drives the "sourcing" determination of work between military, civilian, and contracted services and is a key factor that justifies civilian growth across the Department. Such determinations must be consistent with workload requirements, funding availability, readiness and management needs, as well as applicable laws and statute. Personnel & Readiness works together with other elements of the Secretary's and Department's leadership team to deliver a balanced, flexible, responsive workforce that: is the appropriate mix of military, civilian, and contracted support; mitigates risk, ensures continuity of operations, and promotes organic knowledge base; and ensures mission requirements are met most cost effectively and efficiently. Where necessary to deliver that workforce, exceptions to current authorized civilian levels are considered and, if appropriate, granted.

Ms. BORDALLO. To what extent have the existing data sets available to Department planners, specifically the Department's annual inventory of inherently govern-

mental and commercial activities, contributed to the functional streamlining, organizational realignments, workforce shaping decisions, and civilian personnel reductions reflected in last year's efficiencies initiative and continued in this year's budget?

Dr. ROONEY. The efficiencies initiatives begun under Secretary Gates, and continued in this year's budget, were implemented based on guidance to conduct organizational assessments and mission/function prioritization. This guidance required DOD Components to: baseline their organizations; assess and prioritize missions; eliminate duplication; ensure workload distribution; and submit recommendations for organization restructuring and reallocation of manpower, including workforce reductions.

While the guidance did not specifically require DOD Components use their annual inventory of inherently governmental and commercial activities, it is one of many data sets and workload quantification sources that DOD Components had available as they conducted their assessments. The inventory provides DOD Components with visibility into their respective workforce and organizations based on functional descriptors, manpower mix criteria, location of services, and specific units and assignment of billets. The extent to which individual DOD Components relied on their respective inventories of inherently governmental and commercial activities to inform their efficiencies and personnel reductions would vary based on the processes they undertook and other available data sources.

Ms. BORDALLO. In achieving the right mix for the Total Force, how does the Department use the annual inventory of inherently governmental and commercial activities, and associated manpower mix determinations, to identify the civilian workforce reductions reflected in the past two budgets?

Dr. ROONEY. The civilian workforce reductions reflected in the past two budgets demonstrate the Department's commitment to challenge workload requirements and more appropriately size its workforce to meet our most pressing and critical priorities. The reductions also ensure an appropriate Total Force mix while considering changes in our overseas commitments and our force structure. The annual inventory of inherently governmental and commercial activities is one of many data sets and workload quantification sources that DOD components had available as they shape their workforces, develop their budget proposals, and identify proposed reductions. The inventory provides DOD components with visibility into their respective workforces and organizations based on functional descriptors, manpower mix criteria, location of services, and specific units and assignment of billets.

Ms. BORDALLO. As civilian personnel reductions are being executed across the Department, is the workload and functions associated with those being tracked as eliminated or divested through the annual inventory of functions?

Dr. ROONEY. The Department is tracking Component efficiency initiatives implementation using the Defense Enterprise Performance Management System (DEPMS). This includes monitoring compliance with the direction to maintain, with certain exceptions, civilian full-time equivalent authorizations at fiscal year 2010 levels and any attendant civilian personnel reductions. In addition, the Department's guidance for the annual inventory of inherently governmental and commercial functions, issued 24 October 2011, required DOD Components to identify and provide rationale for all major changes, to both civilian and military workload, "to include identification of any difference resulting from the implementation of organizational efficiencies and budgetary reductions as a result of the Department's efforts to streamline business operations, reduce redundancies and/or overhead functions, and maximize shared services." DOD Components are required to submit their data sets for DOD review beginning in April 2012.

Ms. BORDALLO. What is the status of DOD's insourcing effort? How many positions were added to the in-house workforce in FY10 and in FY11? For each year, how many of the positions were added in order to save money for taxpayers and how many in order to better serve our warfighters?

Dr. ROONEY. The Department continues to execute its statutory requirement to review contracted services and identify those that should be in-sourced to government performance. In-sourcing remains a very effective and critical tool for the Department to rebalance its workforce, realign inherently governmental and other critical work to government performance (from contract support), and, in many instances, to generate resource efficiencies.

In FY10, the Department added nearly 17,000 new government positions as a result of in-sourcing. Of those nearly 17,000 positions, 9% were established because the contracted service was found to be inherently governmental, 41% were because the work was determined to be exempted from private sector performance (to mitigate risk, ensure continuity of operations, build internal capability, meet and maintain readiness requirements, etc.), and 50% were based solely on cost savings.

In FY11, the Department added nearly 11,000 new government positions as a result of in-sourcing. Of these, 6% were because the work was inherently governmental, 13% was because the work was exempted, and 81% were based solely on cost savings.

Ms. BORDALLO. Is DOD's official position that, "Insourcing has been, and continues to be, a very effective tool for the Department to rebalance the workforce, realign inherently governmental and other critical work to government performance (from contract support), and in many instances to generate resource efficiencies"?

Dr. ROONEY. Yes, and the Department remains committed to using the process of in-sourcing as an integral part of its Total Force management strategy to deliver a balanced, flexible, responsive workforce that is the appropriate mix of military, civilian, and contracted support while mitigating risk, ensuring continuity of operations, promoting organic knowledge base, and ensuring mission requirements are met most cost effectively and efficiently.

Ms. BORDALLO. A recent GAO report (12-319) seems to provide some much need context to a remark made by former Secretary Gates on insourcing: "In August 2010, the Secretary of Defense stated that he was not satisfied with the department's progress in reducing over-reliance on contractors. Representatives of (Personnel & Readiness) and (the Comptroller) told us that although DOD avoided \$900 million in costs for contracted support services in fiscal year 2010 due to the budget decision to reduce funds associated with insourcing, total spending across all categories of service contracts increased in fiscal year 2010 by about \$4.1 billion". Is it correct to say that rather than deprecate insourcing during his press conference, Secretary Gates was actually lamenting that insourcing, despite savings of almost \$1 billion in FY10, could not offset the ever-escalating costs of service contractors.

Dr. ROONEY. I cannot speculate on the message or spirit of Secretary Gates' remarks. However, in-sourcing was not intended to offset cost of service contracts, but rather is one process by which the Department can rebalance its workforce, realign inherently governmental and other critical work to government performance (from contract support), and in certain instances, generate resource efficiencies. Data from across the Department indicates that on a case-by-case basis, reductions in operating costs or fiscal efficiencies are gained through in-sourcing certain types of services or functions. As noted by the GAO, these savings are generally not visible at an aggregate level but rather materialize in the form of resource realignment at the field/command level to other priorities or requirements. Certain commercial functions can be more cost effectively delivered by the government and are appropriate for in-sourcing, while in other instances, a cost analysis may demonstrate that continued contract performance is appropriate.

Ms. BORDALLO. Should DOD be denied cost savings from insourcing where work is being performed by small business contractors, even if in-house performance would result in savings to taxpayers?

Dr. ROONEY. No, if in-sourcing services provided by small business can generate savings for the Department, then consistent with title 10 obligations and our fiduciary responsibilities to the taxpayer, such services should be considered for potential in-sourcing. The Department values the contributions made by small businesses in support of our mission, and we are committed to meeting our small business goals. Furthermore, we follow the requirement set forth in Office of Federal Procurement Policy Letter 11-01, Performance of Inherently Governmental and Critical Functions, to place a lower priority on reviewing work performed by small businesses when the work is not inherently governmental and where continued contract performance does not put the agency at risk of losing control of its mission or operations. However, the Department is committed to ensuring its workload is met in the most cost effective and efficient manner possible and, in some instances, which may result in the in-sourcing of services performed by small businesses.

Ms. BORDALLO. Do small business contractors currently perform functions that are inherently governmental, closely associated with inherently governmental function, or critical? Why should DOD not be denied the capacity to insource such functions?

Dr. ROONEY. Consistent with statute, federal policy, DOD guidance, and federal acquisition regulations, the Department has processes and safeguards in place to preclude the contracting of functions that are inherently governmental or otherwise exempted from private sector performance (to mitigate risk, ensure continuity of operations, build internal capability, meet and maintain readiness requirements, etc). Functions that are determined to be closely associated with inherently governmental or critical in nature may, under certain circumstances, be contracted for provided there are sufficient management and contract oversight mechanisms in place to ensure the agency is not at risk of losing control of its mission or operations. In instances where inherently governmental functions, or functions otherwise exempt from private sector performance, are found to be performed under contract, that

work must be immediately divested or in-sourced to government performance, regardless of whether that work is performed by a large or small business. To the maximum extent practical, as dictated by title 10 requirements, the Department is reducing the level of contracted support performing closely associated with inherently governmental or critical workload. This may include workload performed by small businesses; but a lower priority is placed on such work where continued contract performance does not put the agency at risk of losing control of its mission or operations.

Ms. BORDALLO. Is there evidence to indicate or suggest that DOD's insourcing is having a disproportionately adverse impact on small business contractors? Is there anything in the insourcing law or the DOD regulation carrying out that law that would single out, target, or disproportionately adversely impact small business contractors?

Dr. ROONEY. No, there is currently no data that would indicate a disproportionate impact on small businesses as a result of in-sourcing. In fact, as reported by DOD Components, of the nearly 17,000 government positions established as a result of in-sourcing in fiscal year 2010, less than 1,000 (approx. 6%) were the result of in-sourcing a contracted service where the prime contractor was a small business. The Department values the contributions made by small businesses in support of our mission, and we are committed to meeting our small business goals. There is nothing in current law, regulation or DOD policy that targets small businesses for in-sourcing. In fact, the Department follows the requirement set forth in Office of Federal Procurement Policy Letter 11-01, Performance of Inherently Governmental and Critical Functions, to place a lower priority on reviewing work performed by small businesses when the work is not inherently governmental and where continued contract performance does not put the agency at risk of losing control of its mission or operations.

Ms. BORDALLO. What precautions does DOD take to ensure that insourcing does not have a disproportionate impact on small business contractors? Is it necessary for an advocate for small business contractors or even a "breakout procurement center representative" to participate in any session or planning process and reviewing any documents related to insourcing from a small business contractor in order to prevent a disproportionately adverse impact on small business contractors from DOD's insourcing? Are any other interest groups in sourcing and procurement represented in DOD's decision-making process? For example, do advocates for or representatives of federal employees participate in sourcing and procurement decisions that might adversely affect federal employees?

Dr. ROONEY. The Department values the contributions made by small businesses in support of our mission, and we are committed to meeting our small business goals. Consistent with requirements set forth in Office of Federal Procurement Policy Letter 11-01, Performance of Inherently Governmental and Critical Functions, DOD Components place a lower priority on reviewing work performed by small businesses when the work is not inherently governmental and where continued contract performance does not put the agency at risk of losing control of its mission or operations. However, the Department remains committed to its statutory obligations under title 10 to annually inventory and review contracted services, including those delivered by small businesses. In doing so, the Department ensures appropriate performance of functions that are inherently governmental, closely associated, or otherwise exempted from private sector performance (to mitigate risk, ensure continuity of operations, build internal capability, meet and maintain readiness requirements, etc). Where necessary and appropriate, contracted services may be in-sourced to government performance. This is a process that requires inputs and collaboration among many different stakeholders, including the financial management/budget, manpower, personnel, and procurement/acquisition (including small business advocacy as appropriate) communities.

Ms. BORDALLO. Would Section 302 of H.R. 3893 allow contractors to litigate agencies' determinations that certain functions should be insourced for performance reasons, e.g., that the functions are inherently governmental, "closely associated", or critical, i.e., are too important or sensitive to be performed by contractors? Would there be any precedents for substituting a court's opinion for that of the executive branch in such instances? What are the department's views of such a change? On average, how much longer would decisions whether to insource, whether for cost or performance reasons, take if Section 302 became law? Do federal employees have legal standing to challenge agencies' outsourcing decisions in federal court? Do federal employees have any legal standing to challenge agencies' insourcing decisions in federal court? Would H.R. 3893 provide federal employees and small business contractors with the same legal standing in the insourcing context?

Dr. ROONEY. Whether section 302 of HR 3893, if enacted into law, would allow contractors to litigate agency determinations as described is a matter of judicial interpretation of both legal standing and executive agency discretion. The Department cannot speculate on the judicial branch's potential interpretation of section 302. As a matter of policy, executive level federal agencies have historically had broad discretion in determining their own requirements and how these requirements will be met, whether with government employees or by contracting for the work. In exercising this discretion, the agency must make any such decisions in accordance with agency guidelines, applicable statutes, and federal regulations. If an agency fails to abide by its own guidelines or the law, then parties with standing could potentially litigate the actions. Even in instances where the agency has followed its own guidelines and the law, contractors could still seek to litigate the agency's determination. Presumably, contractors with legal standing could be given an opportunity to challenge a broad range of issues that have historically been based on executive policy and discretion. This could potentially include in-sourcing decisions that must be subjective in nature based on a variety of circumstances and an exercise of discretion, such as determinations of inherently governmental, closely associated, or critical.

Designations of specific functions as inherently governmental in judicial decisions would have the force of law, at least within the jurisdictions where the decisions are precedent and for so long as the decisions are not overturned. However, to date, the Department has no knowledge of any court overturning an agency's in-sourcing decision, and the cases that have been brought have not progressed beyond preliminary questions like which court has jurisdiction to provide relief for improper in-sourcing decisions and whether the plaintiff has standing to bring the challenge. Absent interagency coordination and clearance by the Office of Management and Budget (OMB), as required by OMB Circular A-19, the Department may not comment on the proposed legislation at this time.

The Department cannot predict the effect section 302 may have, if it were enacted, on the time it takes to in-source a contracted service. Given standing, a contractor could foreseeably pursue a number of courses of actions, including recourse to GAO, federal circuit court, and court of federal claims. Depending on a number of factors that fall under the jurisdictional purview of those forums, times to resolve and adjudicate could vary from weeks to years, factoring in appeals and filings with higher forums.

Under section 3551 of title 31, United States Code, federal employees have limited standing to file a protest with the GAO related to outsourcing decisions as part of a public-private competition conducted under OMB Circular A-76. Representatives of federal employees may also have standing with the United States Court of Federal Claims under section 1491 of title 28, United States Code. In both these instances, the standing afforded federal employee representatives is related to public-private competition conducted under OMB Circular A-76 and in accordance with section 2461 of title 10, United States Code. Such public-private competitions are expressly prohibited for the purposes of in-sourcing determinations per section 2463 of title 10, United States Code.

Under Article III of the Constitution, plaintiffs have standing if (1) they allege an injury that is concrete, particularized, and actual or imminent, instead of conjectural or hypothetical (injury-in-fact); (2) the alleged injury is sufficiently traceable to the defendant's challenged action (causal connection); and (3) the requested relief will likely redress the alleged injury (redressability). In addition to having the burden of showing Article III standing, under the Administrative Procedure Act plaintiffs must also demonstrate prudential standing by establishing that the alleged injury falls within the zone of interests protected by the statute in question.

Historically, the zone-of-interests test has generally led to the dismissal of federal employee suits challenging outsourcing decisions. If the federal employees can show that they are within the zone of interests protected by the statute in question that governs an in-sourcing decision, they may be held to have standing to sue.

While H.R. 3893 does not appear to provide federal employees and small business contractors with the same legal standing in the in-sourcing context, the Department cannot speculate on the judicial branch's potential interpretation should this bill, or portions thereof, be enacted into law.

Ms. BORDALLO. H.R. 3893 would prevent insourcing from occurring until, among other things, has published for comment its insourcing policy. Has DOD published its outsourcing policy for comment?

Dr. ROONEY. DOD's outsourcing of new or expanding work to the private sector is governed by the Federal Acquisition Regulation, and Defense supplement, and applicable statutory requirements. The Department's current policies regarding in-sourcing of existing work, as well as competitive sourcing of such work, are all publicly available. The decision to use a sector (public or private) to perform work must

be made in accordance with governing statutes and is a matter of executive branch policy. Lessons learned and best practices, including those from both internal and external stakeholders, are regularly reviewed and considered as policies and procedures are implemented and refined.

Ms. BORDALLO. H.R. 3893 would prevent insourcing from occurring until, among other things, all decisions are reviewed by advocates for or representatives of small business contractors. Are DOD's outsourcing decisions reviewed by advocates for or representatives of federal employees?

Dr. ROONEY. No, decisions to purchase services from the private sector are not subjected to review by advocates or representatives of federal employees. In certain instances where existing government work is competed via a public-private competition under Office of Management and Budget Circular A-76 and the determination is to procure work from the private sector, the designated government official (or their representative) may challenge aspects of the solicitation and evaluation process, but those rights are not exclusive to the government and do not differ from those of a private sector entity in the same process.

Ms. BORDALLO. As a result of Section 938 of the FY12 National Defense Authorization Act, all DOD contractors were given two new protections in the insourcing process: 1) a requirement that federal employees be marginally more efficient than contractors in order for functions to be insourced for cost reasons; 2) special notification when functions are being considered for insourcing for cost reasons. Do either or both of these requirements apply when DOD is thinking of switching from a small business contractor to a large contractor or when a large DOD contractor is thinking of taking work back from a small business subcontractor?

Dr. ROONEY. No, the requirements pertaining to conversion differential or timely notification included in section 938 are specific to the governing statute for insourcing contracted services, section 2463 of United States Code title 10. They do not apply to shifts in workload between two or more private sector firms, either large or small.

Ms. BORDALLO. Of the slightly less than 1 million DOD civilians, how many have volunteered to go into harm's way since 2001 and deployed in support our men and women in theater; how many DOD civilians are currently overseas in theater or other forward deployed areas; of the slightly less than 1 million DOD civilians, how many "sit behind a desk"?; and how many DOD civilians fatalities have occurred as a result of Operations Enduring and Iraqi Freedom? How many wounded?

Secretary WOODSON. Since 2001 approximately 52,000 Department of Defense (DOD) civilian employees have volunteered for deployments in the Central Command area of responsibility (CENTCOM AOR) to provide support to our men and women in theater. Currently there are approximately 4,500 civilians deployed in the CENTCOM AOR to support on-going operations.

The DOD currently employs approximately 750,000 appropriated fund employees and approximately 130,000 non-appropriated fund employees in diverse occupations ranging from doctors and nurses to fire fighters, electricians and mechanics to budget analysts, contracting specialists, and attorneys. The Department does not maintain the number of primarily sedentary occupations in any database.

During Operations Enduring Freedom and Iraqi Freedom there have been 14 DOD civilian fatalities. Twelve of those fatalities occurred in Iraq (11 appropriated fund employees, 1 non-appropriated fund employee) and two fatalities occurred in Afghanistan (2 appropriated fund employees). The Department does not track the manner in which non fatal injuries occur.

Ms. BORDALLO. You mentioned civilian reductions of 7,000 across DOD yet the Air Force reports that they have nearly 16,000 civilians they are reducing, and that's just the Air Force. How do you reconcile these figures? Do you believe that reductions in the civilian workforce should mirror and be proportionate to those in the uniformed workforce? How about contractor support to the warfighter? Should reductions in area be proportionate, based on work and deliverables, to other reductions in the Total Force?

Secretary WOODSON. DOD-wide the aggregate reduction in civilians reflected in the fiscal year 2013 budget is approximately 7,000. However, in the Air Force's case, the reductions they are implementing total approximately 16,500 from the service's fiscal year 2011 baseline as a result of efficiencies directed in the fiscal year 2012 budget. To achieve this reduction of approximately 9%, the Air Force conducted a strategic evaluation of their civilian workforce to realign civilian resources from lower priority functions to higher priority mission areas, such as nuclear, intelligence, and cyber. Overall, reductions in the Total Force are correlated to workload and mission prioritization, as well as force structure and overseas posture changes. The fiscal year 2013 budget request reflects our best judgment today and represents

a carefully coordinated approach based on the Department's strategy and policy that balances operational needs and fiscal reality.

Ms. BORDALLO. Why would Congress consider any potential changes to recruiting and retention incentives such as military retirement and health care or reductions to essential training accounts when Defense can't identify the cost of what you pay for in contracted services? So what are you doing to reduce contracted services and work requirements instead of just reducing dollars? If you are only reducing dollars then you are likely setting up conditions to default to contractors in light of the current civilian personnel constraints.

Secretary WOODSON. The Department takes very seriously its commitments to the All-Volunteer Force, and any proposed reforms to benefits would be well-reasoned and would be designed to "keep faith" with those who are serving, and have served. Additionally, any proposed reductions to training accounts are based on proposed changes to the Department's strategy, overseas posture and commitments, and force structure. The Department is very committed to increasing visibility and accounting of contracted services, and reducing spending in areas that are not directly linked to the strategy, priorities, and force structure of the Department. To that end, in November 2011, the Department submitted to the Congressional defense committees a comprehensive plan that delineated both short- and long-term actions related to the statutorily required inventory and review of contracts for services. As we implement this plan, we will be able to better understand what we spend on contracted services and the true level of effort associated with those services. Having comprehensive information on contracted services that can be translated to units of measure that are comparable to the other elements of our workforce (military and civilian) is critical to making improved value and planning judgments.

Ms. BORDALLO. Of the slightly less than 1 million DOD civilians, how many have volunteered to go into harm's way since 2001 and deployed in support our men and women in theater; how many DOD civilians are currently overseas in theater or other forward deployed areas; of the slightly less than 1 million DOD civilians, how many "sit behind a desk"; and how many DOD civilians fatalities have occurred as a result of Operations Enduring and Iraqi Freedom? How many wounded?

Ms. PENROD. Since 2001 approximately 52,000 Department of Defense (DOD) civilian employees have volunteered for deployments in the Central Command area of responsibility (CENTCOM AOR) to provide support to our men and women in theater. Currently there are approximately 4,500 civilians deployed in the CENTCOM AOR to support on-going operations.

The DOD currently employs approximately 750,000 appropriated fund employees and approximately 130,000 non-appropriated fund employees in diverse occupations ranging from doctors and nurses to fire fighters, electricians and mechanics to budget analysts, contracting specialists, and attorneys. The Department does not maintain the number of primarily sedentary occupations in any database.

During Operations Enduring Freedom and Iraqi Freedom there have been 14 DOD civilian fatalities. Twelve of those fatalities occurred in Iraq (11 appropriated fund employees, 1 non-appropriated fund employee) and two fatalities occurred in Afghanistan (2 appropriated fund employees). The Department does not track the manner in which non fatal injuries occur.

Ms. BORDALLO. You mentioned civilian reductions of 7,000 across DOD yet the Air Force reports that they have nearly 16,000 civilians they are reducing, and that's just the Air Force. How do you reconcile these figures? Do you believe that reductions in the civilian workforce should mirror and be proportionate to those in the uniformed workforce? How about contractor support to the warfighter? Should reductions in area be proportionate, based on work and deliverables, to other reductions in the Total Force?

Ms. PENROD. DOD-wide the aggregate reduction in civilians reflected in the fiscal year 2013 budget is approximately 7,000. However, in the Air Force's case, the reductions they are implementing total approximately 16,500 from the service's fiscal year 2011 baseline as a result of efficiencies directed in the fiscal year 2012 budget. To achieve this reduction of approximately 9%, the Air Force conducted a strategic evaluation of their civilian workforce to realign civilian resources from lower priority functions to higher priority mission areas, such as nuclear, intelligence, and cyber. Overall, reductions in the Total Force are correlated to workload and mission prioritization, as well as force structure and overseas posture changes. The fiscal year 2013 budget request reflects our best judgment today and represents a carefully coordinated approach based on the Department's strategy and policy that balances operational needs and fiscal reality.

Ms. BORDALLO. Why would Congress consider any potential changes to recruiting and retention incentives such as military retirement and health care or reductions to essential training accounts when Defense can't identify the cost of what you pay

for in contracted services? So what are you doing to reduce contracted services and work requirements instead of just reducing dollars? If you are only reducing dollars then you are likely setting up conditions to default to contractors in light of the current civilian personnel constraints.

Ms. PENROD. The Department takes very seriously its commitments to the All-Volunteer Force, and any proposed reforms to benefits would be well-reasoned and would be designed to “keep faith” with those who are serving, and have served. Additionally, any proposed reductions to training accounts are based on proposed changes to the Department’s strategy, overseas posture and commitments, and force structure. The Department is very committed to increasing visibility and accounting of contracted services, and reducing spending in areas that are not directly linked to the strategy, priorities, and force structure of the Department. To that end, in November 2011, the Department submitted to the Congressional defense committees a comprehensive plan that delineated both short- and long-term actions related to the statutorily required inventory and review of contracts for services. As we implement this plan, we will be able to better understand what we spend on contracted services and the true level of effort associated with those services. Having comprehensive information on contracted services that can be translated to units of measure that are comparable to the other elements of our workforce (military and civilian) is critical to making improved value and planning judgments.

Ms. BORDALLO. Of the slightly less than 1 million DOD civilians, how many have volunteered to go into harm’s way since 2001 and deployed in support our men and women in theater; how many DOD civilians are currently overseas in theater or other forward deployed areas; of the slightly less than 1 million DOD civilians, how many “sit behind a desk”?; and how many DOD civilians fatalities have occurred as a result of Operations Enduring and Iraqi Freedom? How many wounded?

Mr. TAMBURRINO. Since 2001 approximately 52,000 Department of Defense (DOD) civilian employees have volunteered for deployments in the Central Command area of responsibility (CENTCOM AOR) to provide support to our men and women in theater. Currently there are approximately 4,500 civilians deployed in the CENTCOM AOR to support on-going operations.

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Mr. TAMBURRINO. DOD-wide the aggregate reduction in civilians reflected in the fiscal year 2013 budget is approximately 7,000. However, in the Air Force’s case, the reductions they are implementing total approximately 16,500 from the service’s fiscal year 2011 baseline as a result of efficiencies directed in the fiscal year 2012 budget. To achieve this reduction of approximately 9%, the Air Force conducted a strategic evaluation of their civilian workforce to realign civilian resources from lower priority functions to higher priority mission areas, such as nuclear, intelligence, and cyber. Overall, reductions in the Total Force are correlated to workload and mission prioritization, as well as force structure and overseas posture changes. The fiscal year 2013 budget request reflects our best judgment today and represents a carefully coordinated approach based on the Department’s strategy and policy that balances operational needs and fiscal reality.

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#### QUESTIONS SUBMITTED BY MR. LOEBSACK

Mr. LOEBSACK. In the light of the reduction in end strength outlined in this budget request and the defense strategy released earlier this year, what policies are being reviewed to ease transition between the active, reserve, and civilian components? Do you believe that easing the transition between the components will help to build in the reversibility outlined in the new defense strategy by ensuring that our highly trained and experienced force can be accessed quickly if a contingency arises? What, if any, legislative authority would you require to enact policies to ease the transition between the active and reserve components?

Dr. ROONEY. The Department of Defense will structure and pace reductions in the Nation’s forces in such a way that they can surge, regenerate, and mobilize capabilities needed for any contingency and focus on building upon the Department’s ability as an organization and the personnel within those organizations to be adaptive. The Department will ensure a strong foundational force that is designed to adapt to emergent mission requirements by maintaining readiness standards sufficient for meeting current operational needs and surging to meet planned deployment, determining those capabilities that require a long lead time to produce and are uniquely associated with critical operational requirements while preserving these capabilities in sufficient numbers to achieve operational goals and applying organizational constructs and training strategies that will increase deployment options and training effectiveness.

Within the active force the Department will make it faster and easier to generate or regenerate capabilities by etemining those skills and capabilities that could be drawn down; preserving key lessons, strategies, and processes learned; determining and preserving key enablers to surging or regenerating these capabilities.

Within Reserve Affairs, as part of the work on the Commission on National Guard and Reserve (CNGR), and the ongoing work of the Comprehensive Review of the Reserve Components, we have partnered with the Services to examine law and policy as it pertains to transition between the active and reserve components. The objective is seamless, facilitated, and unbiased movement between components, and conveyance of benefits and entitlements as appropriate. This work is ongoing. As specific requirements necessitate, we have also advocated the Reserve Component as a ready, cost effective force of choice where appropriate in execution of the new Defense strategy.

Lastly the Department will coordinate Service efforts to achieve these policy goals. We will continue to work with the Services to facilitate Service Member movement within and between Active, Reserve, and Civilian statuses to increase Total Joint Force Readiness.

Mr. LOEBSACK. Taking into account co-payments and dispensing fees, what is the cost to the Department of generic medications dispensed by retail pharmacies compared to the cost of generic medications dispensed by the TRICARE Mail Order Program?

Secretary WOODSON. Including patient co-payments and dispensing fees, the average cost of a 30 day equivalent prescription for generic medication dispensed by retail pharmacies was \$21.06 during 1st Quarter FY12. In comparison, the average cost of generic medication dispensed by the TRICARE Mail Order Program was \$13.92 during 1st Quarter FY12.

Mr. LOEBSACK. In the light of the reduction in end strength outlined in this budget request and the defense strategy released earlier this year, what policies are

being reviewed to ease transition between the active, reserve, and civilian components? Do you believe that easing the transition between the components will help to build in the reversibility outlined in the new defense strategy by ensuring that our highly trained and experienced force can be accessed quickly if a contingency arises? What, if any, legislative authority would you require to enact policies to ease the transition between the active and reserve components?

Ms. PENROD. The Department of Defense will structure and pace reductions in the Nation's forces in such a way that they can surge, regenerate, and mobilize capabilities needed for any contingency and focus on building upon the Department's ability as an organization and the personnel within those organizations to be adaptive. The Department will ensure a strong foundational force that is designed to adapt to emergent mission requirements by maintaining readiness standards sufficient for meeting current operational needs and surging to meet planned deployment, determining those capabilities that require a long lead time to produce and are uniquely associated with critical operational requirements while preserving these capabilities in sufficient numbers to achieve operational goals and applying organizational constructs and training strategies that will increase deployment options and training effectiveness.

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Mr. TAMBURRINO. The Department of Defense will structure and pace reductions in the Nation's forces in such a way that they can surge, regenerate, and mobilize capabilities needed for any contingency and focus on building upon the Department's ability as an organization and the personnel within those organizations to be adaptive. The Department will ensure a strong foundational force that is designed to adapt to emergent mission requirements by maintaining readiness standards sufficient for meeting current operational needs and surging to meet planned deployment, determining those capabilities that require a long lead time to produce and are uniquely associated with critical operational requirements while preserving these capabilities in sufficient numbers to achieve operational goals and applying organizational constructs and training strategies that will increase deployment options and training effectiveness.

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