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FINAL RECOMMENDATIONS FROM THE MILITARY COMPENSATION AND RETIREMENT MODERNIZATION COMMISSION

COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES
ONE HUNDRED FOURTEENTH CONGRESS
FIRST SESSION

HEARING HELD
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FINAL RECOMMENDATIONS FROM THE MILITARY COMPENSATION AND RETIREMENT MODERNIZATION COMMISSION

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
Washington, DC, Wednesday, February 4, 2015.

The committee met, pursuant to call, at 10:01 a.m., in Room 2118, Rayburn House Office Building, Hon. William M. "Mac" Thornberry (chairman of the committee) presiding.

OPENING STATEMENT OF HON. WILLIAM M. "MAC" THORNBERRY, A REPRESENTATIVE FROM TEXAS, CHAIRMAN, COMMITTEE ON ARMED SERVICES

The CHAIRMAN. The committee will come to order.

I am pleased to welcome our members, guests, and certainly our witnesses to today's hearing on the Military Compensation and Retirement Modernization Commission report. This is a very important issue for the committee and for our country.

You know, it is often said that people are our most valuable resource. And just because we hear it a lot does not mean that it is not true. It is a central truth of our country's security that the men and women who serve are our most essential and valuable asset. And today we are asking more and more of those who serve, and various proposals and actions and inactions by Congresses and administrations over the years have certainly caused some of them at least to question our country's commitment to them.

Congress decided that we needed to take a comprehensive look at our pay and benefit structure, see what was working, what wasn't working, and especially whether it will continue to be able to assist us in recruiting and retaining the high-quality folks that we need to serve our country in the military.

Last week, the Commission on Military Compensation and Retirement Modernization issued their report, and we are very pleased to have many of the commissioners before us to testify and explain the report before us today. And I particularly appreciate the Commission's work to help us understand what sorts of pay and benefits are most valued by the people who serve. Their proposals certainly deserve and will receive a thorough examination by this committee.

As Congress reviews these recommendations, I think we will continue to ask what sorts of pay and benefits are working as intended, what sort are not working, and does this overall structure put the military in the best possible position to attract and keep the kind of top-quality people we need moving ahead. As we study

the Commission's proposals and receive other opinions and suggestions, those will be the primary questions, at least on my mind.

Let me turn to the distinguished ranking member, Mr. Smith.

[The prepared statement of Mr. Thornberry can be found in the Appendix on page 53.]

STATEMENT OF HON. ADAM SMITH, A REPRESENTATIVE FROM WASHINGTON, RANKING MEMBER, COMMITTEE ON ARMED SERVICES

Mr. SMITH. Thank you, Mr. Chairman. I too want to thank our panel for taking on a very, very difficult task and doing an outstanding job. I think the proposals are thoughtful and really get into the difficulty of the issue, and I think it is good place to start for our committee.

And really there are just two competing principles here. One, as the chairman noted, we need to take care of the men and women who serve in our military and their families. First of all, it is the right thing to do. Second of all, we have an All-Volunteer Force. We want to make sure that people join and stay, that we are able to attract the people we need and then to keep the people that we need.

And obviously there are a lot of things that factor into that. But the compensation, pay, benefits, are a piece of it. And we want to make sure that we continue to be able to have that All-Volunteer Force, whatever debate one may have about whether or not we should have a draft or more people should be involved. We all know that is not happening. We are going to have an All-Volunteer Force, and we need to have a pay and benefit structure that attracts and retains them.

At the same time, over the course of the last 20 years, the amount of money that we spend per service member, the personnel costs, has tripled. There is a very deceptive stat out there that shows that personnel costs as a percentage of the overall budget have stayed roughly the same, and that is true, but we have reduced the number of personnel, I think it is by roughly 900,000. So the per-person cost has gone up and gone up significantly. Healthcare costs are a pretty significant driver of that.

And as we look at where we are at with the budget, in trying to figure out what we are going to do over the course of the next decade with sequestration, if it comes, and even without sequestration, we have less money to spend in the Department of Defense [DOD] than 3, 4 years ago we thought we were going to have. How do you make those choices? Because for me, the number one overall obligation is to make sure that whatever it is that we ask the men and women in our Armed Forces to do, they are trained and equipped and ready to do it. Having a hollow force is the one completely unacceptable outcome.

And if we wind up spending a whole bunch of money on personnel costs or on other things and we don't have the money for training, which is the situation we have been in for the last several years as readiness accounts have been raided to deal with, well, government shutdowns and CRs [continuing resolutions] and sequestration, then we wind up having a force that is not as trained and as ready as it needs to be.

So when we look at the budget we need to consider all of those questions, and personnel costs are parts of it. Is there a way that we can save money in those areas and still meet the obligation that the chairman said that we should, first and foremost, have to the men and women who serve and to make sure we continue to have a very effective All-Volunteer Force?

That is not an easy thing to take on. And I think the proposal that you have put before us is a very thoughtful and good start for this committee. And I hope this committee will take it seriously, and I think it is absolutely critical that we do some kind of personnel reform in this Congress that winds up saving us some money long term. So we are going to have to start that process, and today is a good day to do it.

I thank the chairman. I yield back.

The CHAIRMAN. I thank the gentleman.

I ask unanimous consent that my full opening statement be made part of the record. And after consulting with Mr. Smith, I ask unanimous consent that the statement of the Fleet Reserve Association on the Commission's recommendations also be made a part of our record. Without objection, so ordered.

[The information referred to can be found in the Appendix on page 73.]

The CHAIRMAN. Let me now turn to our distinguished panel of witnesses.

Honorable Alphonso Maldon, who has been chairman of the Compensation Commission.

We also have with us Honorable Steve Buyer, who was once a member of this committee and I believe chaired our Personnel Subcommittee once upon a time.

Mr. Michael Higgins, who has also been associated with this committee as one of our key staffers dealing with personnel as well.

General Peter Chiarelli, who has not only a distinguished military record, but a distinguished record after he has retired from the military in dealing with some of the most difficult issues, including brain trauma, that our military folks have to endure.

And Admiral Edmund Giambastiani, also someone I have known for a long time for whom I have tremendous respect.

I also notice that our former colleague Chris Carney is sitting there, former Senator Larry Pressler, a commissioner is sitting there, all of whom served on the Commission.

And you all know what thankless jobs in Washington are like. But know that your efforts here are not thankless, that they are very much appreciated. We needed this look. You all have done what we asked in coming up with serious proposals that, as Mr. Smith says, deserve our very serious consideration, and they are going to get it.

So thank you all for your service. Thank you for being here.

Mr. Chairman, the floor is yours.

STATEMENT OF HON. ALPHONSO MALDON, JR., CHAIRMAN, MILITARY COMPENSATION AND RETIREMENT MODERNIZATION COMMISSION; ACCOMPANIED BY COMMISSIONERS GEN PETER W. CHIARELLI, USA (RET.), ADM EDMUND P. GIAMBASTIANI, JR., USN (RET.), HON. STEPHEN E. BUYER, AND MICHAEL R. HIGGINS

Mr. MALDON. Thank you, Mr. Chairman. Chairman Thornberry, Ranking Member Smith, distinguished members of the committee, my fellow commissioners and I are honored to be here today, and we thank you for this opportunity to testify before the House Armed Services Committee. We also thank you for your support of the Commission during the last 18 months and for your leadership in protecting service members' compensation and benefits.

I would like to request that our final report be entered into the record, Mr. Chairman.

The CHAIRMAN. Without objection.

[The Commission final report is retained in the committee files and can be viewed upon request.] †

Mr. MALDON. The All-Volunteer Force is without peer. Their unwavering commitment to excellence in the service of our Nation has never been clearer than during the past 13 years of war. As commissioners, we recognize our obligation is to craft a valued compensation system that is both relevant to the contemporary service members and able to operate in a modern and efficient manner.

We are unanimous in our belief that the recommendations we offer in our report strengthen the foundation of the All-Volunteer Force, ensures our national security, and truly honor those who served and the families who support them now and in the future.

Our report is, of course, informed by our own lifelong experiences with military service, public policy, and as public servants. However, our recommendations are most informed by the insights of the service members, the veterans, retirees, and their families.

The Commission and staff visited 55 military installations worldwide, listening to the views and preferences of hundreds along the way. More than 150,000 current and retired service members provided thoughts, very thoughtful responses to the Commission's surveys, and we developed working relationships with more than 30 military and veterans service organizations.

Additionally, the Commission received input from more than 20 Federal agencies, several Department of Defense working groups, and numerous research institutions, private firms, and not-for-profit organizations.

The results of this process, including 18 months of comprehensive independent research, review, and analysis, are 15 unanimous recommendations that will improve choice, access, quality, and value within the compensation system.

Our work represents the most comprehensive review of the military compensation and benefits program since the inception of the All-Volunteer Force. Consistent with our congressional mandate, we reviewed each program to determine if and how modernization might ensure the long-term viability of the All-Volunteer Force, en-

† The Commission final report is also available online at http://docs.house.gov/meetings/AS/AS00/20150204/102859/HHRG-114-AS00-20150204-SD001.pdf.

able the quality of life for service members and families, and achieve greater fiscal sustainability for compensation and retirement systems.

Our recommendations do this and more, improving choice, access, quality, and value within the compensation system. Our retirement recommendations propose a blended plan that extends retirement benefits from 17 percent to 75 percent of the force, leveraging the retention power of traditional military retirement to maintain the current force profiles, protect the assets of service members who retire at 20 years of service, and reduces annual Federal outlays by $4.7 billion.

Our health benefit recommendations improve access, choice, and value of health care for Active Duty family members, Reserve Component members, and retirees, while reducing outlays by $3.2 billion. Our recommendation on commissaries maintains patrons' grocery discounts, while also reducing the cost of delivering those benefits by more than $500 million annually.

While these savings to the taxpayer are significant, the Commission did not engage in a cost-cutting drill. In fact, our recommendations to improve joint readiness, service members' financial literacy, support for exceptional families, and transition assistance require additional funding to ensure program efficacy.

In summary, our recommendations represent a holistic package of reforms that modernize the structure of compensation programs rather than adjust the level of benefits delivered to the service members. They sustain the All-Volunteer Force by maintaining or increasing the overall value of compensation and benefits for service members and their families. And they provide additional options for service personnel managers to design and manage a balanced force.

This approach creates an effective and efficient compensation and benefit system that after full implementation saves taxpayers more than $12 billion annually, while sustaining the overall value of compensation and benefits to those who serve, have served, and the families who support them.

Mr. Chairman, my fellow commissioners and I thank you again for the opportunity to testify before this committee, and we are honored to present our unanimous recommendation. And we now stand ready for your questions.

Thank you, Mr. Chairman.

[The joint prepared statement of the commissioners can be found in the Appendix on page 54.]

[Commission charts displayed during the hearing can be found in the Appendix beginning on page 83.]

The CHAIRMAN. Thank you, sir. And, again, I appreciate the work of all the commissioners.

I am going to yield my time to the distinguished Personnel Subcommittee chairman, the gentleman from Nevada, Mr. Heck, who is recognized for 5 minutes.

Dr. HECK. Thank you, Mr. Chair. Likewise, I thank all the commissioners for the incredible effort you put forth in developing this product.

Some of the recommendations may be considered earth-shaking, maybe even seismic shifts. And what we have heard a lot in the

past is this idea of making sure that we don't break the faith with either former or current service members.

In fact, Michèle Flournoy, who was the former Under Secretary of Defense for Policy before the HASC [House Armed Services Committee] roundtable last September, in a review on the QDR [Quadrennial Defense Review] had brought up the question, how do you define breaking the faith? Is it benefits, making sure that we keep a paying compensation program? Or is it about readiness and making sure that those that are serving are actually manned, trained, and equipped?

Interestingly, just yesterday, Todd Harrison, in an article in Forbes, brought up that same question, stating, "Keeping faith with troops means more than protecting the existing compensation system. It means ensuring our military remains the best trained and equipped force in the world. Breaking faith with the troops is sending them into battle understaffed, undertrained, or with inferior equipment."

I would ask the Commission, in looking at the recommendations made, how did you balance or how do you view the balance between keeping the faith with those that are serving and have served with some of the recommendations that are generated by the report?

Mr. MALDON. Thank you, Congressman, for that question.

We spent quite a bit of time discussing just that. We know that there are competing interests here. And we have dealt with those, we believe, in a very thoughtful manner.

Before we actually get into talking a little bit more specifically, Congressman, about the question that you have raised, I have asked my colleague here, Commissioner Buyer, to actually respond by reading to you a statement here that we had talked about in some of our sessions that we have had. So with that, I am going to ask Commissioner Buyer to please respond to that.

Dr. HECK. As long as he can do that and get to my question within the 3 remaining minutes.

Mr. MALDON. I promise you, Congressman, we will do that.

Mr. BUYER. It should not be lost on the committee that of the five commissioners, and actually the commissioners also sitting behind me, all of us have had military service, we are military retirees, we have served this Nation in war and in peace. And that this question about keeping the faith, for me and for my commissioners, it comes down to two questions. Will the recommendations keep the faith with the men and women who have served in the past and who are presently serving?

The second question would be, do these recommendations in this report enable us to recruit and retain the force in a manner that the benefits will be sustainable and that will be structured in a manner that can ease return to civilian life.

The answer to both of those questions is yes, and we enthusiastically support these recommendations to you.

Dr. HECK. I am going to keep the real detailed questions for when we see you in subcommittee. But from the kind of strategic view, the 30,000-foot view, can you give some specific examples where you looked at the balance between keeping the faith and making some changes?

I mean, I think the idea between retirement with a grandfather clause shows some thought. But when you get into the healthcare issue and moving currently serving dependents out of the current system, some may argue that that is breaking faith, it is not what they signed up for.

Mr. MALDON. Congressman, I am going to have Commissioner Giambastiani respond to that question next.

Admiral GIAMBASTIANI. I am going to give you a top-level answer. As you said, in the subcommittee we can spend time drilling down into the details. I learned as a young junior officer, and I have lived by it for four decades of service, if you take care of your people they will take care of you. That is number one. And that goes to the chairman and the ranking member's comments along with yours, sir.

But we came up over a period of time to try to describe, for example, in the Navy, in my years when I was resourcing both personnel and modernization in combat programs, how can we describe what we are doing to support our soldiers, sailors, airmen, and marines? Most people talk about quality of life, but that mainly happens to be the types of things that we addressed here.

Our view was that quality of service was the penultimate measure. Quality of life was part of that. All of these compensation programs, health care, et cetera, were a subset. But quality of service included all those things. Weapons systems, anything to prevent casualties, anything to lower combat casualties, anything to bring our soldiers, sailors, airmen, and marines home fell into that quality of service.

And we can get into more detail at a different time. But I would just tell you that quality of service is how we as a Commission looked at this.

Dr. HECK. All right. Thank you all very much. Again, I appreciate your efforts. Look forward to getting into the details with you in subcommittee.

And I yield back, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Smith.

Mr. SMITH. Thank you, Mr. Chairman. I will yield my time to Mrs. Davis, who is the ranking member on the Personnel Subcommittee.

Mrs. DAVIS. Thank you, Mr. Chairman.

And thank you to all of you. I know this has become very personal to you, the fact that you worked so diligently on this and came to these conclusions.

And I wanted to perhaps follow up with Dr. Heck's question as well. And maybe, because we are taking this larger look right now before we get into so many of the details, I wonder if and perhaps, Mr. Chairman, but the others as well could help us take us into the room, let us be a fly on the wall for a minute to a breakthrough time when you really sort of had one of those "aha" moments, this is the best way that we can come to that balance, that tension that we know exists and that we will have much testimony to deal with. I wonder if you could sort of let us in on that, what was key in that.

And the other question is, what would you be the most disappointed about if we are not able to kind of come together as a committee and deal with this issue?

Mr. MALDON. Congresswoman, thank you very much for your question. Quickly, let me just mention to you, everything that we did, people that we met with, first of all, we had town hall meetings across the country, we actually had public hearings, we had sensing sessions. We talked extensively to families, to service members, Active, Reserve Component, and retirees, and we listened very carefully to what they had to say.

We heard them express to us their concern for choice, wanting to have more choice, wanting more access. We heard them talk about what their preferences were. We received responses from the survey that we sent out where they actually told us, here is what we prefer as a value.

And so what we did in our deliberation and spent lots of time, many discussions going through, discussing how we should be aligning compensation benefits to the preferences that the service members told us about. And so everything that we did, we ran it through that thread.

We had 80 percent of the people told us they like the solutions of what we were doing, where we were going with this, providing more value, providing more access, more choice for them, which is very different from what we have done before.

Mr. BUYER. Ma'am, there were three "aha" moments, if that is what you are asking for, for me. One was we had pretty extensive debates over BAH [basic allowance for housing]. And I know you have had them. And the Pentagon year after year will send over cuts or they will send over—we decided we would jump into that issue and we would debate it and we would try to figure out a new way of doing it and debate it again and again and again.

And in the end, the "aha" moment came out of Mr. Higgins, not surprising to the committee, when he said, you know, I do believe that over the years that this compromise is founded about just right. And that is why we did not make any of the changes on BAH.

So I want you to know, Chairwoman, we went into it extensively, drilled down to a level that has never been really done before.

With regard to health care, an "aha" moment was how can you really create a health system that will increase the quality, give choice to the beneficiaries, improve access, improve quality, hit the value proposition. And we could do that when Admiral Giambastiani and General Chiarelli gave the recommendation to create this Joint Medical Command. And that was an "aha" moment.

Mrs. DAVIS. Thank you.

Anybody else want to——

Mr. MALDON. Could I have Commissioner Giambastiani to follow up, and then one more from my left, General Chiarelli.

Admiral GIAMBASTIANI. This may surprise you, but my "aha" moment came when we transitioned from the draft to the All-Volunteer Force.

General Chiarelli and I are kind of old geezers here, serving a hell of a lot of years, myself 41 years in uniform. And I came in

during the draft era, went to the Naval Academy. But I served with that draft force, fine individuals, men and women. But I have to tell you, this All-Volunteer Force is absolutely the best I have ever served with in my entire career.

And that is the "aha" moment on how to maintain that All-Volunteer Force, maintain that professionalism, the training, but continue to bring in quality people. That has been a lifetime of "aha" moments on how we maintain that.

And I would just tell you, I am impressed, there is no peer out there. And as a NATO [North Atlantic Treaty Organization] Supreme Allied Commander, I used to give talks around Europe to other NATO allies about the All-Volunteer Force. Many of them, including the Germans, would push back and say, our system is good. And I would say, fine, you do what you need to do.

If you look at Europe today, even though their militaries are small, they have all moved to a professional force, just like us, because they understand how effective it is. So maintaining that is so important.

The CHAIRMAN. Thank the gentlelady.

Mr. Forbes.

Mr. FORBES. The chairman has eloquently thanked and expressed the appreciation of this committee for your work. But I think your work merits an appreciation from all of us. So thank you both for what you have done on this Commission, but also what you have done and continue to do outside the Commission.

General, you mentioned that one of the comments you consistently received from individuals was more choice. And so just two questions for you. One, did the Commission give any thought to making the new retirement system optional for everyone, even new people? If the system is as attractive as your research and analysis suggest, it does seem like most service men and women would opt in voluntary. And if it doesn't get us all the way home, does it get us part of the way home? One.

Second, the Fleet Reserve Association [FRA] put out a quote that said shifting benefits from 20-year career service members to service members with as little as 2 years of service with portable benefit is laying the groundwork for a catastrophic retention crisis.

How do you respond to that? And what are your thoughts on that issue?

Mr. MALDON. Congressman, thank you for the question.

We spent a lot of time talking about and thinking about retention and recruiting and what does that mean, what do we have to do to make sure that we can ensure an All-Volunteer Force. I am going to have Commissioner Chiarelli to talk specific to that question.

General CHIARELLI. I guess the kind of an "aha" moment for me is when we went to San Antonio and saw new medics and corpsmen who were at the beginning of their basic training to become medics. And, you know, that MOS [military occupational specialty] is not filled with a lot of lower GT [general technical] score people. These are all bright young men and women. And we asked the question to them, would you please raise your hand, if you stay in the military for 20 years, will you receive 25, 50, or 75 percent of

your base pay in retirement? And we had two people, I think, get it right out of a crowd of about 100.

And it was clear to me at that moment that as a young medical corpsman, you are not necessarily joining the service and making the best decisions about your retirement plan. It is going to become important to you later on. And that really drove home to me the importance of what we are doing.

If you look at the chart you will provide us, you will see that an E7 [enlisted grade] in any one of the services under this current plan, using the best financial estimates that we can make, not high, not low, will make more in the long run than he would have under the current system.

[The chart referred to can be found in the Appendix on page 84.]

General CHIARELLI. So I am totally comfortable that this retirement system that we have crafted is absolutely essential as we move forward and takes the best interests of our service men and women into account at all pay grades and ranges of service.

Mr. FORBES. And, General, nobody could question your commitment to your troops and your service to them. Can you just elaborate a little bit on what it would do if we did make it optional? If it is that attractive, would that be a possibility if we did that?

Mr. MALDON. Thank you. Congressman, I am going to have Commissioner Higgins to respond to that.

Mr. FORBES. Yes, please. Thank you.

Mr. HIGGINS. Thank you, Mr. Chairman.

Congressman, we absolutely will make the new proposal optional for currently serving service members. And we believe that there will be a significant number of those service members, largely service members with less than 10 years of service, because as you grow closer to the defined benefit that we have today, of course, the draw there is very strong. But for those with less than 10 years of service, and particularly those with less than 5 years of service, we believe that the opt-in rate is going to be very high, very high indeed, perhaps in the range of 90 percent.

Mr. FORBES. So everybody would have the option?

Mr. HIGGINS. Yes, sir. That is correct. Everybody would.

Now, regarding the FRA comment, we would disagree with the premise of their comment, because I think what they are suggesting is that people that stay for 20 years are going to pay for these new benefits that are not currently provided to service members in the Thrift Savings Plan [TSP]. And the answer is that we believe, and our analysis strongly supports, that these benefits for the 20-year retiree are going to be every bit as good as they have today, or better, and that we are still going to deliver this interim benefit for those that don't choose to stay.

Mr. FORBES. Thank you.

My time is up. And I yield back, Mr. Chairman.

The CHAIRMAN. Thank you.

Ms. Sanchez.

Ms. SANCHEZ. Thank you, Mr. Chairman.

And thank you all on the Commission for doing what is basically a very difficult job.

I have three questions. The first has to deal with, I know in your report you mention that you weren't necessarily looking at cost sav-

ings, you were looking at what it would take to retain, what military compensation and the retirement system would look like to be effective for us.

But I think since we are going through this whole issue of taking a look at everything, that cost should be an important piece of this, especially when we are bumping up against this whole issue of maybe a hollow force and making sure we have the money for not only future systems, but also for training our military.

So my questions go to, first of all, TRICARE. The Commission recommends essentially replacing TRICARE with a selection of commercial plans in order to provide more option and accessibility. And in terms of the level of service and cost efficiency, how is replacing TRICARE better than essentially expanding health care?

My second question is with respect to the consolidation of all the GI [government issue] Bills and educational issues. I am worried that if we go to that and we are in the transition period of what might be less than 1 year, but could be 3, 4, 5 years as we consolidate everything, that some of these benefits might fall under or really impact the soldier or the airman or what have you who are trying to get an education. So can you comment on how we might restructure that?

And then the third issue goes back to the base housing allowance. And I just heard you all say that we looked at it, we looked at it, and pretty much we ended up with the same. But when we began with base housing allowance way back when it was at 80 percent and now it is at a full 100 percent. And this is one of the largest areas of escalating cost for us.

So would you speak please to the review of that and why we might not scale it back to, for example, 80 instead of 100? Thank you.

Mr. MALDON. Congresswoman, thank you very much for the question. I am going to do a couple things here. We will try to break this out and respond to your question with regard to TRICARE, with regard to the BAH, and the GI Bill, the educational benefit piece of this.

But let me first say that we took a very, very extensive look at the overall benefits here for the service members in terms of what they told us that they wanted, what they needed in order for us to be able to ensure an All-Volunteer Force. So as we looked at each one of these, we approached it in a way of wanting to achieve efficiencies wherever there is an opportunity to achieve those efficiencies. And so then cost came later. But we were totally not driven by cost.

I want to start with having Commissioner Buyer to talk about the TRICARE piece. And then I will have him followed by Commissioner Higgins on the GI Bill piece and the BAH.

Ms. SANCHEZ. Great. And when I am talking about costs, I mean, you really have to just oppose that against what is happening to the American public at large. And that means that many of them have lost higher-paying jobs. They are making less either for the same job with respect to what it costs to live or they have gone and found other jobs that don't have benefits. Nobody has a pension, et cetera, et cetera.

So we are asking taxpayers to pay for our military when our taxpayers are not in the same position they might have been from a monetary and quality-of-life perspective of 20 years ago.

Mr. MALDON. Commissioner Buyer.

Mr. BUYER. Health care is a tremendous value benefit not only to the men and women who wear the uniform, but their families, and then the retirees, and then those of whom are disabled. So how do we now improve that benefit? At the same time, when we talk about cost or savings, it is not only to the beneficiary, but also to the taxpayer. And how can we do this?

So we looked at TRICARE and said every year as the budgets come over, why are you dealing with these issues on TRICARE? Because when TRICARE was first installed, where it was then compared to where it is today, it has diminished in its value, diminished because it is now a very limited provider network. It is limited why? Because of the pressures that have been also placed upon the TRICARE contractors to go out there and get providers into the system and you pay below Medicare rates.

So I will give you as an example, pick a specialty, orthopedics, Fort Bragg. Those of whom that are in the TRICARE, have signed up for TRICARE to do orthopedics at Fort Bragg, there are 12. If you look at the government employees health plan, there are 43 in that one. If you look at Blue Cross/Blue Shield at Fort Bragg, there are 163 orthopedics that are in it. Why only 12 of them if there are 163 in Blue Cross/Blue Shield? It is because they don't want to sign up for TRICARE because the reimbursement rates are so very, very low.

Now I will ask you, of those 12, do you think they are at the top of that 163 that are in Blue Cross/Blue Shield? I think you know the answer to the question.

So with regard to the quality——

The CHAIRMAN. I apologize for interrupting. But with the largest committee in Congress, we have to have some time——

Ms. SANCHEZ. Thank you, Mr. Chair. I will take those answers to those questions in writing, please.

The CHAIRMAN. Well, I hope other folks will ask about the other issues too, because I think they are important and I would like to hear——

Mr. BUYER. We can answer for the record, Mr. Chairman.

[The information referred to can be found in the Appendix on page 93.]

The CHAIRMAN. And I appreciate that.

Mr. MALDON. Thank you, Mr. Chairman.

The CHAIRMAN. Chairman Miller.

Mr. MILLER. I can't believe you gaveled down Chairman Buyer.

The CHAIRMAN. Note that for the record, please.

Mr. MILLER. Again, thank you very much for the hard work that you have all done. I have one question. But I want to yield back to my colleague, Mr. Forbes, who wants to ask a clarification for the record.

Mr. FORBES. Mr. Chairman, obviously you guys are the experts. I just want to make sure we have the record right. I think several of us misread the report. But I want to make sure that this new retirement system, as I understood the testimony, was that it

would be optional for everyone, even new people. Did we misread that? Because I know some writers have misread it too. And we just want to make sure everybody is on the same sheet of music.

Mr. MALDON. Of course, Congressman.

Commissioner Higgins, could you please respond specifically to that question?

Mr. HIGGINS. Thank you, Mr. Chairman.

We only envision the opt-in provision in terms of those that were currently serving when the law is adopted. New entries would be brought into the service under our proposal. There wouldn't be an opt-in to the old system that currently exists today.

Mr. FORBES. And that was what we had thought. At some point in time, just for the record, if you would give us your thoughts about making that optional as well.

[The information referred to can be found in the Appendix on page 93.]

Mr. FORBES. But I want to yield back to Chairman Miller for his questioning.

Mr. MILLER. Thank you very much.

We are all looking for efficiencies and the proper delivery of health care. And I just want to talk about the Military Readiness Command just a little bit. This is something that I think the Joint Staff should already be doing.

So my concern is, do you foresee this creating another layer of bureaucracy within an already bloated system, if you will? And the question basically is, how will this help improve readiness, especially medical readiness?

Mr. MALDON. Thank you very much, Congressman, for your question here. I am going to ask Commissioner Giambastiani to lead that for us.

Admiral GIAMBASTIANI. Thank you, Chairman Miller. Great question.

As we went through and debated the phenomenal medical success that we have had during this last 13 years of war and we looked at how overall the services have reduced combat casualties to a record low compared to World War II, Vietnam, even Desert Storm, down to about a death rate of about 10 percent of those very serious casualties, we looked at what did it take to do this.

And medical care, combat medical readiness is much more than just doctors, nurses, corpsmen, medics on the battlefield. It happens to be the transportation systems, medevac helicopters, aircraft, the logistics and systems that allow them to do that, and all of those supporting structures out there that are beyond any medical command.

Now, there have probably been 14 commissions over the years, 30, 40 years, that have recommended establishing a Joint Medical Command. We looked at that. And this is the most contentious topic that we debated and discussed within our Commission.

And unanimously we came out to the conclusion that the best way to deal with this is to embed a joint medical unit, if you will, a command unit within a Joint Readiness Command, and also create on the Joint Staff a significant structure called a J10, that was just solely medical as opposed to having it buried underneath transportation and the rest.

It is probably more than we can discuss in this forum during this timeline. And I would be happy to do that offline with you, as I know General Chiarelli would. But I think that we have come up with the right solution.

Finally, although our report says that the costs in there are just under $300 million a year, frankly, all of the people pretty much have been transferred from the old Joint Forces Command to the Joint Staff, and that is the reason why the Joint Staff has about quadrupled in size.

Mr. MALDON. Mr. Chairman, if you don't mind, I would really like to have Commissioner Chiarelli to follow up on that very quickly. I am certainly concerned about the time. But I would love to have him say a few words.

The CHAIRMAN. Sure.

General CHIARELLI. Whatever you want, Mr. Chairman.

The CHAIRMAN. Well, If you have a brief comment, General, because you have done so much work in this healthcare area.

General CHIARELLI. The number one requirement for our health care in the military is to take care of deployed soldiers. Period. I mean, that is what makes it different. And we have to ensure that as we reorganize and look to make our MTFs [military treatment facilities] be able to be better training grounds, as the force gets smaller for our physicians and entire medical team.

It is absolutely essential that somebody be able to go into the Tank, along with the Chairman of the Joint Chiefs of Staff, and make the argument for the tough decisions that are going to have to be made in order to maintain that capability. And I can go into that in great detail.

The CHAIRMAN. That is helpful. Thank you.

Mr. Larsen.

Mr. LARSEN. Thank you, Mr. Chairman.

Mr. Higgins, I will just ask you directly on the retirement questions. Can you clarify for me, again, I think what Mr. Forbes was trying to get at, if the new law passes, this proposal passes, I am a new service member, I am immediately enrolled into the TSP as the Commission envisions it?

Mr. HIGGINS. That is correct.

Mr. LARSEN. And then what is my vesting period under the Commission's plan?

Mr. HIGGINS. It would be 2 complete years of service and your first day of your third year, you are vested.

Mr. LARSEN. And then what percentage of my salary, what is the maximum percentage of my salary that I would be able to put into this TSP plan envisioned by the Commission?

Mr. HIGGINS. Five percent would be the maximum matching at that time. Your automatic enrollment would be at the 3 percent of salary point.

Mr. LARSEN. Automatically enrolled at 3 percent of salary?

Mr. HIGGINS. Base pay to be specific.

Mr. LARSEN. Base pay. And then my employer, the Department of Defense, would put in what?

Mr. HIGGINS. After 2 years, they would match 3.

Mr. LARSEN. After 2.

Mr. HIGGINS. Or if you invested 5 yourself, they would match 5. The 1 percent, the base amount that the government would contribute regardless of what the individual does, would always be there. So, in essence, it is 6 percent——

Mr. LARSEN. Right.

Mr. HIGGINS [continuing]. For a service member who invests up to 5 percent of base pay.

Mr. LARSEN. Does the Commission envision that this would be separate from the Federal employee TSP, this would be internal to the DOD?

Mr. HIGGINS. No. This would be Thrift Saving Plan as currently used within FERS [Federal Employees Retirement System].

Mr. LARSEN. And it would become part of the existing TSP?

Mr. HIGGINS. That is correct.

Mr. LARSEN. And then just to clarify, I would not have the option to opt out of that as a new service member. I would be required.

Mr. HIGGINS. Of the 3 percent on automatic enrollment?

Mr. LARSEN. Yes.

Mr. HIGGINS. No. They could the very next day go down to their finance office, not a very great hardship procedure, and remove themselves from the program. However, we believe that studies would indicate 97 percent of people would not do that.

Mr. LARSEN. Right.

Mr. HIGGINS. And I think that is healthy in terms of encouraging service members to think about financial matters.

Mr. LARSEN. So just on the flip side, in the testimony provided by the Commission, 83 percent of enlisted folks receive no retirement savings currently. And if I am enlisted and served 2 years, get vested, I would at least start to have something, and 100 percent of my enlisted friends would start to have something.

Mr. HIGGINS. That is correct.

Mr. LARSEN. There are probably other questions to ask on that that others may have.

I want to move to health care quickly. It seems that what you are proposing is more along the lines of where the rest of the world—not the rest of the world, maybe the rest of the country is going—but that DOD to me seems headed the other direction. They would rather consolidate, keep health care consolidated.

And the Commission is essentially recommending health care should be distributed, healthcare provisions should be distributed, that is, commercial choice, see doctors of your choice within parameters in the individual plan.

Have you received input at all from the Department on that particular recommendation?

Mr. MALDON. Congressman, the thing that we focused on here after hearing from people across the country again and also just the overwhelming support that we got from people with regard to their responses to the commissioners' survey, people kept saying to us that they wanted more choice. They wanted access to health care. They wanted increased value in terms of them being able to make the decision what was best for them.

And let me just ask Commissioner Buyer if he would talk just specifically to that question also.

Mr. BUYER. We are trying to capture the trends of where the demographics are going. So not only are we doing it being responsive with regard to the TSP, we are also doing that with health care.

At our opening meeting, it was Commissioner Higgins that said, let's get to the question of paternalism. How paternalistic do we want to be? How paternalistic has the military always been? And where is America? And where is America going? Because that is what you have asked us to do, can we modernize and prepare for into the future. And that is what we are doing with health care too.

So part of that empowerment is also an education piece, not only financial literacy, but also the literacy on how to make good choices for your family with health care.

Mr. LARSEN. Thanks, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Turner.

Mr. TURNER. Thank you, Mr. Chairman.

Mr. Buyer, I am glad that you just ended on that comment because my question is for you. I remember serving on the VA [Veterans' Affairs] Committee when you were the chairman of the VA Committee, you were always an impassioned advocate for TRICARE and one of the Members of Congress that I would say was probably the most knowledgeable of it.

Now as we are looking at these recommendations, I thought you might want to give us some additional insight as to your thoughts on this, how it relates to your work in Congress, and how you see the evolution of this occurring.

Mr. BUYER. Well, thank you very much. And thanks for your service. And congratulations with your new assignment.

I look back, and personally I made some mistakes. We should have indexed the premiums on TRICARE for the gray area retirees. We should have done that. I remember the staff coming to me and asking me should we index it. And I said, you know, I want Congress to take an active role in these programs, and I believe that year after year, when Congress takes an active role, that they will do the right thing.

It has not happened. The pressures on Congress to actually increase those premiums or copays or deductibles, when we first instituted TRICARE, that premium was 27 percent. It has eroded over time now to 5 percent. And the TRICARE as a network themselves has become so limited, bureaucratic, cumbersome, it has diminished its quality. And just trying to even perfect those contracts has become incredibly costly. To manage it, costly. You don't have utilization management that can actually perfect savings. It is not really a good program at the moment.

So the question, Congressman Turner, is can we do better? I mean, that is sort of the mandate that you have said to us, look at these things, let us know what you believe and what you think. And in the end, yes, we can do better.

When you look at FEHBP [Federal Employees Health Benefits Program] and how OPM [Office of Personnel Management], with 100 people, manage a program of similar size to what DOD is, with 100 people, at $47 million, TRICARE takes almost 3,000 people at $350 million approximately.

And going to this selection of plans, it is not FEHBP. It is kind of like it. It is a variant. We actually take away some of the successes. We did that when we created Medicare Part D also.

But the most important thing is our military medical readiness. How do we maintain the sharp edge of that readiness that has been perfected in 13 years of war and maintain that and sustain it?

And we said, if you take the MTFs and we roll them as part of the network of the plans, utilizing this Medical Readiness Command to oversee, we can actually attract good procedures into the MTFs. Because when you look at the MTFs today, some of the procedures that they are doing, it will surprise America. When you look at some of our charts and figures, you will see that a lot of it has to do with delivery of babies, which is great. It is great for the perfecting of the cohesion of the medical team. But that is not what is happening on the battlefield.

So attracting procedures into the MTF can be done as part of the network when we give them the ability to have different cost shares and provide those incentives.

Am I being responsive to you, Mr. Turner? I hope so.

Mr. TURNER. Yes. Thank you for your insight.

And also for each of you, thank you for your service. And certainly this is going to be a very spirited discussion, but you certainly have started off well.

And, Mr. Buyer, thank you for your context.

Mr. BUYER. Thank you.

The CHAIRMAN. Mr. Veasey.

Mr. O'Rourke.

Mr. O'ROURKE. Thank you, Mr. Chairman.

To the chairman of the Commission, can you talk a little bit about the recommendation to improve collaboration between the Department of Defense and the VA [Department of Veterans Affairs]? And I am specifically interested in the recommendation that there is a unified health record. And I think your recommendation is to use the VA's healthcare record through their VistA system. But if that is not the case, correct me.

And tell me whether that is going to require an act of Congress or whether DOD and VA could administratively implement that recommendation. Because, along with other members here, I serve on the VA Committee, and that has been a significant frustration for us, the disconnect between DOD and VA on this.

Mr. MALDON. Congressman, thank you for the question.

We spent an inordinate amount of time amongst ourselves discussing the benefit of having better collaboration between DOD and VA. We have actually spent time talking to the Secretary of VA. We have spent time talking to the people within the Department of Defense regarding the position that they have taken on moving forward with their health care, electronic healthcare records, the way they want to approach it.

We know that there is a lot of money that is spent between DOD and VA on how they do business. We believe that we can take better advantage of the taxpayers' resources if, in fact, we had better standardization, shared services, we had better ways of actually conducting business between the two.

I am going to ask, because we spent so much time on this, and I know that Commissioner Buyer spent a lot of time when he was here and since that time he has been one of our lead in following through on these things in our discussion, so I am going to ask him if he would please respond briefly to that as well.

Mr. O'ROURKE. Thank you.

Mr. BUYER. Thank you for your service on the Veterans' Affairs Committee, along with Sergeant Major and Chairman Miller for your years and your eyes on recommendation 8, on the collaboration.

We looked into this on the JEC, so the Joint Executive Committee. We didn't put it in our recommendation, but after having met with Secretary McDonald, I do believe they are correct, try to achieve parity there at the committee. Right now you have the Deputy Secretary of the VA meets with the Under Secretary for Personnel. It really should be the Deputy Secretary at DOD meeting with the Deputy Secretary of the VA. So I would ask that that establish a parity and put it in statute.

And the other is with the Joint Executive Committee, it is what we talked about on the committee, about heterodox, when someone, you have given them a position, they have the authority, but they have no power to perfect or implement. And that is exactly what the Joint Executive Committee is.

So we try to get these two Departments, the VA and DOD, to collaborate. But they can come up with great policy, they can come up with great recommendations, but they have no power to implement it.

So what we are asking, Chairman Miller, is—I am sorry, I am talking to him because he can get this done, and you are also on the committee—pass it and make it law that they can actually implement. So in the areas on mental health, that you can actually blend those mental health drugs. We are not going to dictate to you, nor should you dictate to them what antipsychotics, antidepressants, pain medications, let the experts, let science lead, but then let's make sure that that can happen.

With regard to capital projects, never again should there be that situation down in El Paso where the Army builds an Army hospital and VA builds a hospital and they won't put it on the same timeline.

Mr. O'ROURKE. Let me apologize for interrupting.

Mr. BUYER. So making sure that that committee has the power is important.

Mr. O'ROURKE. I represent the community of El Paso and I wish they were building a VA hospital there. But it is alarming that we are spending $1.1 billion for an Army medical center, state of the art, with no provision made for the 80,000 veterans who live in that community who are going to be stranded at an existing clinic that today is collocated with the Army hospital, the new one is being built 9 miles away.

So the benefits of these recommendations are obvious. Is there a specific number in terms of the savings of using a single medical record, collaborating when it comes to purchasing for medication and pharmaceuticals? Is there a dollar amount associated with this recommendation?

Mr. MALDON. Sir, the answer to the question is we don't know exactly what that dollar amount is, Congressman. We didn't go that far. That is not the kind of thing that we really looked into that deeply. We had discussions about it. We know that there would be some savings there if their processes were more streamlined. But we don't know the extent of that. We would be happy to look into that for the record.

[The information referred to can be found in the Appendix on page 93.]

Mr. O'ROURKE. Thank you for the recommendation.

Thank you, Mr. Chair.

The CHAIRMAN. Thank you.

Mr. Lamborn.

Mr. LAMBORN. Thank you, Mr. Chairman.

And I want to thank all of you for your service to the country, including your work on this Commission.

And, Chairman Buyer, I enjoyed working with you on the VA Committee when you were ranking member there. And I am so glad that you are working on, among other things, collaboration between the Department of Defense and the VA.

In my district in Colorado Springs there are about 100,000 veterans and about 40,000 Active Duty personnel, plus many, many thousands of dependents. So this issue of a better transition from DOD to VA is very important. And I am so glad to hear of the work you have done on this.

And of course we have referenced recommendation number 8, and there is also number 12: Better prepare service members for transition to civilian life.

What would you say there—and I will start with you, Chairman Buyer—would be your recommendation specifically on how to better prepare service members for a transition to civilian life?

Mr. BUYER. I think Congress did a wonderful thing with the new GI Bill. It really did. That is a tremendous valuable product that helps prepare them. The recommendations, we enthusiastically support.

I would like you to know that there are Governors out there that are frustrated with the Department of Labor, with regard to their vets program. So the DVOPs [Disabled Veterans Outreach Programs] and LVERs [Local Veteran's Employment Representatives], if you were Governor of Colorado and your Department of Veterans Affairs—your State Department of Veterans Affairs, those DVOPs and LVERs, is a State grant that goes to the State Department of Labor. And the Governors were telling us that it is very challenging for their Department of Veterans Affairs to actually get them to work collaboratively together.

And so we want to make sure that these grants that get to the States, if you have got your director of State Veterans Affairs who is responsible for that seamless transition that he can actually perfect and get his job done. You know, this idea of, well, this is my job and this is all I am going to do, I don't do any other duties as assigned, that has got to end. And that is part of the genesis.

Pete, do you have a—pardon me, Ed.

Admiral GIAMBASTIANI. I would just say that General Chiarelli and I, having experience with numerous organizations, trying to

work the unemployment problem with veterans is a serious issue because of the disconnect between what we would call and what we think should be one-stop centers, where you have got Department of Labor, DOD, VA. Where they are working together in one-stop centers is probably the single most important thing to force in this area.

Mr. LAMBORN. Well, thank you so much.

And back to health care, and one idea I had that I put into the NDAA [National Defense Authorization Act] last year was a pilot project to be investigated on a joint DOD/VA healthcare facility in Colorado Springs, because there is such a need there with Active Duty and veterans, and we are behind the curve in supplying that health care that is much needed. What kind of collaboration has worked and that you would like to see working better together in the future?

Mr. BUYER. You know, Congressman Lamborn, with your experience and what you have seen, I think members of the committee have, a lot of these collaborations are personality driven in particular localities. And those crucibles produce great ideas. Those great ideas don't necessarily disseminate across the health system. When you have a joint executive committee [JEC] that has the power to implement, you take that crucible of an idea that was borne out of Colorado Springs and you send that to the JEC, the JEC can actually then move it centralized, and we get greater perfection and clarity across the system.

Mr. LAMBORN. Mr. Chairman.

Mr. MALDON. Yes, Congressman, let me just say very quickly, the recommendations that we have provided here, we are proposing, the ones on TSP itself, that helps prepare service members as they transition from the military to civilian life.

The ones that we have made with regard to health care, the insurance plan itself, that is more like—more closely associated with the kind of things they would experience as they go into civilian life from the military. So those are some of the things that we have done.

And I would like to ask Commissioner Chiarelli to just speak briefly on that as well.

General CHIARELLI. Well, I would like to tell you one thing you could do, and that is rationalizing the drug formularies between DOD and VA. I mean, it is absolutely unbelievable to me that we have soldiers—and I was a Vice [Vice Chief of Staff of the Army] for 4 years and did not know this—that we have soldiers that we put on antidepressants, antipsychotics, and pain medications. We give them 90 days' supply. They show up at their VA on day 89. They ask to get their medications refilled and the doctor looks at them and says, I can't refill that medication.

Now, that is wrong. And quite frankly, I think that is breaking faith, breaking faith with those who have served and those who are in need of those medications, medications that have worked. And that would be a huge, huge thing that this committee could help us do.

Mr. LAMBORN. Well, I will work with all my committee members on this and the VA Committee as well.

Thank you for your good ideas and your work.

I yield back.

The CHAIRMAN. As a matter of fact, there is a Member of Congress who is a practicing psychologist who has made this exact point to me. He tries to help people and they can't keep them on the same medicine when they do this transition, and the enormous problems that come from that is unbelievable.

Mr. Aguilar. No.

Mr. Takai.

Mr. TAKAI. Thank you, Mr. Chairman.

And thank you, distinguished panel of commissioners. I appreciate your work.

You know, it has been said before, but the services have been able to meet and exceed their recruitment and retention goals over the last 13 years while in war with our current compensation system in place. I am assuming we are here today because there is now a need or it is the right time to take a look at this and to change it, despite the fact that we have been successful in maintaining a significant, viable, All-Voluntary Force.

So my question to you is, what are the impacts of your recommendations, changes to the future of this All-Volunteer Force in terms of recruitment and retention, and how were these impacts assessed?

Mr. MALDON. Thank you, Congressman, for your question.

Congressman, we believe that, and we believe this unanimously, that the recommendations that we have made are going to have a very positive effect on recruiting and retention.

We have taken a look at what service members have told us that they want, what the senior enlisted advisors—as we talk to people across the country, they have been completely making us aware of the fact that things that they want, that they prefer are very different than what they were before, because, one, there is a totally different generation here. The contemporary workforce is changing and the environment is changing.

The very people that we would be interested in recruiting and retaining in the military are the same kind of people that the industry are looking at. And so we wanted to make sure that we can provide benefits and meet the preferences that they have told us that they were concerned about so that we can compete against the industry for the same people.

Commissioner Giambastiani, would you like to add to that?

Admiral GIAMBASTIANI. Yeah. If I could just—thank you, Mr. Chairman.

If I could just add that if I go back and look at our transition from the draft era to the All-Volunteer Force, many thought that that would not work. I was a submarine officer who was serving and was sent to Navy Recruiting Command as a recruiter, and on the staff there back in 1975 to help make that work. And I have to tell you that we have looked—and the reason why I give you this perspective is there were a lot of people who thought it wouldn't work.

What we have looked at here is 350 personnel programs that we have provided you in this interim report before, and yet, we have only made 15 general recommendations, which I think are important. We looked at 350 separate programs across health care, qual-

ity of life, everything else, and we have made 15 recommendations. And behind those 15 recommendations are substantive surveys—as we have already mentioned—studies, and analysis.

And all of that is referenced in footnotes and the rest in here. We have talked to a significant amount of people. We have talked to the personnel people, the personnel chiefs in the services. We have tried to use the extensive experience of us nine commissioners. And I think we have looked at how this impacts and how we assessed that we would have a positive impact. And we try to say the positive impacts that we would bring by the value of these programs in here. So that is a general answer, but I would just give you some historical perspective.

Mr. TAKAI. Thank you.

And I do appreciate the long, hard look that the Commission has done in regards to Guard and Reserve members, Drill Status Guard and Reserve members, and determining that the traditional methodology still works. So I appreciate that.

My last question is in regards to TRICARE. As a former member of TRICARE, I do understand the challenges that we have facing us in terms of the number of providers accessible for TRICARE. Everything you say about this new program sounds good, but to me, it just sounds like it is going to cost a lot more money, because increased provider pay and other things. Can you just elaborate a little bit on what the cost is going to be, or if, in fact, there are savings and what specifically they are.

And now that I am short of time, maybe if you could just prepare a response to us.

Mr. MALDON. Yes, we will take that for the record and get back to you, Congressman.

Mr. TAKAI. Okay. Thank you.

Mr. Chair, I yield back.

[The information referred to can be found in the Appendix on page 93.]

The CHAIRMAN. Thank you.

Dr. Wenstrup.

Dr. WENSTRUP. Well, thank you, Mr. Chairman.

And I want to thank all of you for your devotion to this country and to our troops. It is greatly appreciated.

And in this particular realm today, I want to thank you for addressing the medical readiness of our providers, not only enhancing their skills but maintaining the skills that they have acquired over time and recognizing ways that we can and should do things better.

I think as you look through this and you have the top 10 things that are taking place as far as treatments in a garrison medical treatment facility, it is pretty telling to what I found. I served in a CSH [combat support hospital] in Iraq in 2005, 2006, Reserve Component.

Most of our surgeons were coming from Philadelphia, New York, Detroit, used to high levels of trauma. And then we get an Active Component coming in following us and they were deer in the headlights with what was going on, because they were doing things like appendectomies, which is not what was taking place in the battlefield. So I really appreciate you addressing that and the need that we have to maintain that high level of training.

And of course, we have programs like C–STARS, Center for Sustainment of Trauma and Readiness Skills. As a reservist, I participated with the Air Force a couple of years ago in Cincinnati, so those are some good opportunities. What we see at SAMMC [San Antonio Military Medical Center] in San Antonio, the opportunity to provide care with trauma. This is what we need more of, and I appreciate that you are addressing that. You have simulation training, but you have got real-time training too, and there is nothing better than the real-time training that takes place.

So as a reservist still, I go to Walter Reed, and that is where I am honored to serve. Some of the surgeons there, now they are having their outside employment limited. They were going to Baltimore Shock Trauma, now they can't go. They are losing their skills and a couple of them are getting out, because they said, you know, I am used to this high tempo of trauma. It slowed down. I have nowhere to practice these skills. We have got to maintain this at a high level, and I can't tell you, again, how grateful I am.

A friend of mine, Air Force trauma surgeon, reservist, deployed several times, both to Iraq and Afghanistan, and he brought up this point when I heard him speaking at one time, he said, "I used to, at the very beginning of these wars, tell our troops, 'I am going to try and get you everything that you would have at home.'" He said, "Now it is just the opposite. I tell them, 'I want to make sure people at home get everything that you are getting here at Bagram because of how far we have come.'"

And so this partnership between civilian and military has got to exist at a greater level if we are going to be successful, because we never know when we have to turn that tempo up and be ready. And I think that the people are crying for it. So if you can address what you might see are some of the best practices as we move forward, both for Active and Reserve, to be able to participate in those types of scenarios, I would appreciate it, and try and drive that message.

General Chiarelli, I know I have worked with you in uniform and out on many medical issues.

I don't know who would want to——

Mr. MALDON. Congressman, thank you very much. You know, you are hitting at the heart of something that we care dearly about and we heard quite a bit about as we travel extensively. In San Antonio, Texas, as an example, and Pensacola, Florida, we looked at the partnerships that were existing. In Chicago we looked at the partnerships that were existing, and so forth.

I would like to have Commissioner Chiarelli talk to that because there was some very real lessons to learn there.

General CHIARELLI. This was the toughest thing for me. I go through two combat tours in my time as Vice Chief of Staff of the Army, and you are trying to tell me that we need to change the way we deliver medical care in order to keep up the skills of our doctors and our medical teams. That was hard for me to take, and I was the one that was the hardest to convince. But I am absolutely convinced that our MTFs are on a death spiral right now.

What no one has talked about is we are also lowering the number of people we have in the force. So even when you see the numbers up there, that was with a much larger force, the number of

caseloads they are going to see are going to be even fewer as the force gets smaller. And our recommendations don't negate the MTFs; they give the MTFs the ability to attract and bring in the kind of cases that will do exactly what you have indicated, sir.

And I applaud you, because that is what makes us different. You know, no one at Mass [Massachusetts] General is told on a moment's notice to deploy a combat hospital to Iraq or Afghanistan, but all these armed services are. And it is absolutely critical that if your son or daughter is wounded on the 1st day of battle that they get the same kind of care that is being able to be delivered on the 13th year of battle. And that is what our recommendations are focused on.

Dr. WENSTRUP. Well, that was very well put, 1st day and 13th year. It is very well put. So we will continue to drive that message and do all we can to work with you on that. Thank you.

The CHAIRMAN. Thank you.

Ranking Member.

Mr. SMITH. Thank you, Mr. Chairman.

First of all, I welcome the panel but I was remiss in not pointing out that General Chiarelli is actually a constituent, so I definitely want to welcome you. And as a fellow Seattleite, we just won't talk about the Super Bowl. That is the way the ball bounces sometimes. And the guys from New England are smiling up here, and it is just, you know.

But welcome. And I really appreciate your work in particular, I know the brain science work that you have done since you got out of the military, and the foundation you formed, the people you have worked with in the Seattle area. That is a great group of folks who I think are really making progress on a critical, critical area that affects so many diseases and so many injuries that impact people.

And I want to talk about health care, so we will go to Mr. Buyer again. And health care is critically, critically important. And I had hip surgery about 3 months ago now. I had no idea how important it was until after that, and my level of appreciation and respect for the men and women who serve and the injuries they go through and what surgery really means—and I had, you know, relatively minor surgery—you know, the pain, the suffering, the difficulties, the, you know, medicinal choices that have to be made. It is an enormously important aspect of the military. It is also enormously expensive.

And, I guess, the one thing that we really haven't talked to—Mr. Takai made the allusion to it there and was going to go for the record, but—is the cost. Because what basically has happened, what has driven up the cost so much in health care is that—and I forget the exact statistic, but I think in 1997 the average service member paid about 27 percent of the cost of their health care. So whatever they paid for health care for a given year, 27 percent came out of their own pocket.

By last year, that number was down to 10 percent. And what had happened was copays and premiums did not go up, but the cost of health care did. And that is an enormous difference. And I know we had our health care changed as Members of Congress, and we are now paying a lot more for it because we went to a higher deductible plan, and this is what is happening all across the country.

And bottom line is, copays and premiums and deductibles are higher. So there is more coming out of my family's pocket, coincidentally had to be the year that we had massive amounts of health care needs, you know, before you get to that point. And I guess the question that isn't answered here, and I guarantee you what we are going to get asked and the pressure that is going to be put on us by both retired and Active Duty, is what is coming out of my pocket.

And, I frankly—and I think some of the changes you are talking about are great. The way you reform it gives more choice, does a bunch of different things that I think will improve the quality of health care. But at the end of the day, this really doesn't work if there isn't a little bit more coming out of the pocket of the average Active Duty and retiree.

And just one example, we went through this with the TRICARE for Life folks. When we raised the premium, I think, I forget if it was like from $450 a year to $550 a year, and, you know, there was the huge revolt over that; $100 a year, most of us pay $500, $600 a month.

But the bottom line is, as you restructure this and as we find savings within the healthcare system, is there going to be more coming out of the pocket of either retirees on TRICARE or on this new system or Active Duty folks in terms of copays and premiums and higher deductibles?

Mr. MALDON. Ranking Member Smith, let me just say a couple words here, then I will have my colleagues to follow on here. First of all, nothing changes with regard to our Active Duty military. That stays the same.

And on the readiness issue, as I am going to ask Commissioner Buyer, as he speaks to this, to also cover readiness a little bit too, and then I would like to have again, I would really like to have General Chiarelli talk a little bit more about this as it relates to the readiness piece.

But Commissioner Buyer, will you please take the first piece of that?

Mr. BUYER. I think because of your surgery, you had to get up and walk around a little bit and you weren't in the room when Congressman Turner asked me some of the questions about what have been the lessons learned over the years when we first created TRICARE, and I chaired the personnel committee to today. And I gave the admission that I made an error, and the error was that we did not index those premiums. And we should have done that. And that is my fault. Because Congress is——

Mr. SMITH. No, I heard that, but that doesn't answer——

Mr. BUYER. Oh, okay. Well, but it goes to the heart of it. The present TRICARE system does not have utilization management ability. And that utilization management, the private sector does that with copays and deductibles. And when you go to the private plan—when you go to TRICARE Choice, when they have selection of plans, giving the ability to use utilization management, our modeling, we feel that the savings can come from better utilization management practices being implemented and the program management, just restructuring it, that is about $5.2 billion in savings.

The cost share increases——

Mr. SMITH. Just so I can be clear on that, by utilization management, you are saying that the service members will use health care less?

Mr. BUYER. That is correct.

Mr. SMITH. They will choose to use it less.

Mr. BUYER. That is correct. Because now when you do the comparison between the utilization in the military versus an HMO [health management organization], a PPO [preferred provider organization] versus the HMO, you know, it is for in-patient versus out of patient. Gosh, it is almost a 73 percent increase, and for outpatient they utilize it 55 percent more than civilian.

Mr. SMITH. How do you deal with the troubling aspect of whether or not that is a good thing? Because sometimes—you are absolutely right, I mean, you look at our healthcare system, we have more MRI [magnetic resonance imaging], we do more tests. And because we have a fee-for-service system, you are paid to do stuff, not necessarily to make health care better.

But on the other hand, you can argue that, you know, if someone chooses not to get an MRI or chooses not to get an x-ray because of the cost and they miss a problem that they could have solved earlier, and believe me, I went through the health care debate more than I ever really wanted to, but I just, I never really saw the stat that sort of showed how you balance that.

How do you know when over-utilization is a simple cost as opposed to a smart, preventive step? I guess, I am looking at you as the oracle to answer that impossible question.

General CHIARELLI. I would argue——

Mr. SMITH. Go ahead.

General CHIARELLI. I would argue you go to an emergency room and any one of our MTFs any night and you will see the over-utilization of health care.

You will find an emergency room that is absolutely crammed full of people who could not get an appointment when they wanted to have an appointment, so they go and camp out in an emergency room—and I am not kidding you—for 8, 9, and 10 hours, absolutely filled. And it causes a triage to take place of patients that I would argue is probably not the smartest thing we could do. And I think this is going to reverse that in a huge, huge way.

Mr. SMITH. And I think that all makes sense, but I guess I will come back to the final question, you know, what I opened with: What is going to be the out-of-pocket increase when it comes to higher deductibles, copays, and premiums of the proposal you are putting on the table?

Mr. MALDON. Commissioner Higgins, would you respond to that question, please?

Mr. HIGGINS. Thank you, Mr. Chairman.

Congressman, I think I would start by saying that the basic allowance for health care is going to cover for Active Duty service members many of those out-of-pocket costs that you are referring to. And when those out-of-pocket costs become—from some catastrophic injury or illness become greater, the top 5 percent, if you will, there will be a fund to help those families pay for those out-of-pocket costs. And those plans that we sign them into, that they are going to choose themselves, all are going to have some kind of

a cap on catastrophic costs. And we are going to bridge them over those families that are severely——

Mr. SMITH. Okay.

Mr. HIGGINS. Now—I am sorry, did you want to——

Mr. SMITH. Go ahead.

Mr. HIGGINS. We are going to derive a lot of savings from this greater management arena. I will take myself for an example. I went to the emergency room one night and I had a call 2 days later from a nurse in my health plan wanting to know what she could do to help me prevent that emergency room stop in the future. And it made a huge difference in my life. That is management. That is management of utilization. It works, I believe.

We see, and our analysts would see, and our analysts include people outside the committee staff, see savings—and I will just give you the rough numbers from the health care—$11.2 billion in savings. But what you are seeing in savings is the net, because there is a portion of that $11.2 billion that we are plowing back in and taking advantage of those health plans, better utilization——

Mr. SMITH. Right.

Mr. HIGGINS [continuing]. Better network.

Mr. SMITH. There are others who want to get in here, so I will stop at that. I think that is all very good.

But one of the things that I mentioned to some of you who we met with privately before this, I think we have to be really, really honest up front about some of the costs. And I appreciate what you say about, you know, should it index the premiums. I mean, that is part of it.

And I, you know, gave a speech to MOAA [Military Officers Association of America] a year or so ago in which I said the people who serve in the military absolutely should have the best, cheapest health care that you can get in this country on the job, and they will and they should and even after that proposal they will. But it can't be what it was in 1997. We just can't afford to keep doing that. So it is going to have to be a little bit more that comes out of the pocket. I think we have to be up front and honest about that if we are going to be successful.

Mr. BUYER. It will be the gray area retirees will see the higher deductibles, and the premiums will walk up 1 percent per year to the 20 percent, which doesn't even get them to where we started at the 27 percent premium back in the 1993, 1994 timeframe.

Mr. SMITH. Thank you.

And thank you, Mr. Chairman. You have been very generous with the time. Thank you.

The CHAIRMAN. I appreciate those insights.

Mr. MacArthur.

Mr. MACARTHUR. Thank you, Mr. Chairman.

You know, I recognize that proposing sea change is much more challenging than incremental change. And as I read your report, I was struck that you have a balance of both. You propose incremental change in some spots and sea change in others. And so I just wanted to acknowledge that because that is hard work to do that.

It also struck me, as I read your recommendations, that your work is really about a key human process. The men and women

that volunteer for our armed services have choices, and I wondered to what degree—and I wanted to ask you to talk about how you looked at the other environment that they have choices in, and that is the private sector. Because when men and women are thinking about their life, just like you and I thinking about our life, we look at all of our options, and that includes a pay and retirement and health care and quality of life and training and all of the different elements of thinking through a life.

And so I just wanted to ask if you could talk about whether you went out to some of the larger private-sector companies and evaluated how they think about these same issues, about providing benefits and quality of life and a real future for people.

Mr. MALDON. Congressman, thank you for the question.

We did indeed do that. We spent an inordinate amount of time, again, bringing in people, bringing in the experts. We brought people, for example, in to talk to us about the millennials so that we could understand better what millennials value, what kind of things were important to them, and because that is important to recruitment in terms of who we need to go after and what it was going to take to be able to compete for those very people.

We brought in other people from the healthcare side of things and talked to them to better understand the commercial healthcare insurance plans. We talked to the OPM people who would be managing such plans; Thrift Savings Plan people that have a better understanding of the health plans, the finances around that; what it is going to take with regard to financial literacy training to make sure that the service members had a better understanding of how to and knowledge of what it is going to take to be able to truly understand those plans.

Everything that we did with regard to our recommendations, we did it, one, with an understanding that it must be the support readiness overall; and number two, we wanted to make sure that we address all of the preferences that the service members told us that they were interested in from the survey results that we got back and the people that we talked to. So we did this in kind of a holistic way. We wanted to make sure that we would understand what the second- and third-order effect was, so anything that we were to do in all of the 350-plus programs, benefit, compensation programs that we looked at as we went through them.

So we think we took a very, very holistic approach to looking at that, and we believe that these 15 recommendations that we made took all of that into consideration. And these were the areas that we thought that we could achieve efficiencies in these areas without taking away any benefit from the service members but, in fact, to even improve upon those benefits in certain areas. And at the same time, we could actually maximize the cost effectiveness of those programs, which resulted into some significant savings.

Mr. BUYER. Congressman, we spoke with the TRICARE contractors also. And take United and Humana as an example. They are operating plans in the private sector, yet they are also managing this very restricted, limited contract, and they are very challenged and frustrated because these are two different worlds. So there are monetary and non-monetary incentives they can do in the private

sector to affect human behavior when it comes to health care. They cannot do those things in the TRICARE contract.

General CHIARELLI. And because the TRICARE contract is 5 years, it usually ends up being 8 years after somebody protests. We end up with a situation where today we are sending people to National Intrepid Center of Excellence for the treatment of traumatic brain injury and post-traumatic stress, giving them a treatment plan. They go back to the United States Military Academy. They don't have people that are trained in those skills, instructors, and now they go out on the outside to try to get their TRICARE benefit and they won't cover 50 percent of the treatment plan we told them they needed to do in order to get better. And this will solve that problem.

Mr. MACARTHUR. Well, my time is expired, but I applaud you for that. Thank you.

The CHAIRMAN. Thank you.

Mrs. Davis, do you have other questions?

Mrs. DAVIS. Yes, thank you, Mr. Chairman.

If I could just follow up, because General Chiarelli, I think what you were talking about are the two worlds. And by, I guess, basically creating a military Federal employee health benefit plan, what if we didn't do that? I mean, did you have that discussion of whether the military folded into the existing robust plan that you keep talking about? Where was that in the discussion and what are the downsides, upsides to doing that?

General CHIARELLI. We did consider that, but for a whole bunch of reasons that would probably be best taken offline, I can tell you we came up with the solution that we did. I absolutely think we have come up with the best solution. But the real thing that we have to ensure is the robustness of the MTFs [military treatment facilities]. And there will be a tendency, as we do this, as we go to those plans, because everybody is looking for savings, to only do that in the MTF which takes care of the Active Component individual who relies on an MTF. We can't allow that to happen in every instance.

What we have to be driven by in our MTFs is to maintain that combat medical readiness. And that is the reason why, we really feel, that this readiness command is so absolutely essential. Someone who can advocate to ensure that we don't end up in the medical field the same way we ended up in the dentist field.

I used to tell my fellow commissioners, in my entire 40 years in the United States Army, I was told that my dependents could get dental care as available, okay, and they never were able to do that. I think my wife told me, she said, "I was given one appointment from 6:00 to 7:00 in the morning at Fort Hood, Texas, because that is when the soldiers were running PT [physical training]." We downsized the dental corps only to take care of the Active Component, and there was none left for dependents, nor was there any left, as we all know, for National Guard, as we had to work so hard to get that fixed.

Mr. BUYER. Congresswoman Davis, this idea of rolling everyone into FEHBP does not work for several reasons: Number one, we had to figure out how do we preserve the MTFs. And by making

them part of the risk pool, that is why our proposal is a variant of the FEHBP.

They are also two completely different risk pools. So the risk pool that would be with DOD that is a much younger population, addressing different types of sicknesses and diseases, is far different than a much older population. So from the government standpoint, it doesn't cost us as much as it would be enrolling in the FEHBP.

Mrs. DAVIS. Although, some of those costs would be greater as well, I would think. But thank you very much.

Thank you for your work, General Chiarelli. The formulary piece, yeah, we have got to fix that one.

Thank you.

General CHIARELLI. Please.

The CHAIRMAN. Mr. Coffman.

Mr. COFFMAN. Thank you, Mr. Chairman.

I want to thank you all for your work in this area. And I want to address one part of it specifically, and that is the reform of the modernization of our military retirement system, and I want to commend you at least on the direction. I mean, I think it is inequitable that we have a young person that comes to the military and doesn't complete the 20 years and essentially walks with nothing. And I just don't think that is appropriate, and I think that there ought to be something there, and in your plan you do recognize that.

And I would also urge you to—my late father retired from the Army, Active Duty, I retired combination of 21 years between the Army, the Army Reserve, the Marine Corps, the Marine Corps Reserve, and some of the same problems existed. If I, in Colorado, went skiing and approaching my 20th year and was injured and then reported in for weekend drill and I was unable to perform the physical requirements in the Marine Corps Reserve, then I was ordered to go to a medical review board, and then if I was deemed unqualified at the 19th year mark in something that wasn't service-related, I got zero. And so I think that the Reserve Component needs to be looked at as well. Some of the same considerations exist there that exist on the Active Duty side.

But I just think, you know, we have a system that desperately needs to be updated. I was a young, enlisted Army soldier on Active Duty and a junior officer in the Marine Corps on Active Duty and then filled in the rest of the time in Reserves. But I would think that in both of those times I would have opted in for a system that would have enabled me to walk with something short of 20 years rather than roll the dice and say, do I really know as a young person that I am going to be around for 20 years.

And so I think it is so important to update the system. And I just thank you for coming up with some solutions to begin a discussion in terms of modernizing our system and to make sure that it fits the needs of the young people coming into the military today and who are serving in the military today to provide them that option to opt into the system.

And but let me ask the question: Did you all consider the Reserve Component as well as the Active Duty Component when it came to retirement? And can you tell me what your recommendation is for the Reserve Component?

Mr. MALDON. Yes, Congressman. I am going to have Commissioner Buyer to talk to that as—with his Reserve experience specifically.

Mr. BUYER. A lot of the benefits as we reviewed this, when it comes to the Reserve Components, was responsive to the, quote, "Strategic Reserve," end quote. And, you know, when you want to bring in the chiefs, you want to talk with them and say, so this Reserve Component we have today, is it an Operational Reserve or is it the Strategic Reserve? Because when I looked back at that last 13 years of war, that was an Operational Reserve. Well, they don't want to call it the Operational Reserve because they don't want to fund it as an Operational Reserve.

So when it comes to the benefits though, we felt it extremely important to be responsive. And so we are recommending on the health piece—and I will let someone else address the retirement piece—but on the health piece, yes, we want the reservists to have access to health care and the Reserve Components. And now what we are recommending, though, that they pay a 25 percent premium share into that plan.

What that is going to do is perfect the continuity of care, because, as we know, with all these different types of duty status and being called Active Duty and not Active Duty and the impact upon family and out-of-pocket costs, we want to perfect that continuity of care, and we can do that by availing this opportunity to participate in the plans TRICARE Choice to the Reserve Components.

Mr. MALDON. And Congressman, if I might, please, I am going to ask Commissioner Higgins to talk to the other piece of that.

Mr. HIGGINS. Thank you, Mr. Chairman.

Congressman, yes, we integrated the Reserve Components into our proposal, and, in fact, technically, it will operate in the same way for a reservist. And the service chiefs directed that we match the force profiles, and in our analysis the Reserve Component with our proposal, we are going to be exactly on target in terms of force profile. So recruiting, retention, and that force, the Reserve Components is going to be just as good as it is today.

General CHIARELLI. If I can make one other point here. How better off would we be today after 13, 14 years of war asking young men and women to go on three, four, and five deployments, how better off would we be today that when we gave them the pink slip and said your service is no longer needed short of 20 years, that they had something that they left with? And that is really the sad thing, that we didn't think about this a long time ago before we got into this 13-year conflict. Because literally, we are asking these young men and women to leave today, some of them while they are still deployed, and they leave with nothing if they have served short of 20 years.

Admiral GIAMBASTIANI. The Commission listened to these young men and women talk to us about leaving with something. And obviously the force planners, the service chiefs, and the personnel heads would be very interested in making sure that we can retain the right balance of people even for those who leave with something. And we have spent a lot of time, as our chairman has said, working these proposals to make sure we balance retention along

with allowing people to leave with something. And I think we have designed this program in such a way to meet both demands.

Mr. COFFMAN. Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. Thank you. Ms. Gabbard.

Ms. GABBARD. Thank you, Mr. Chairman.

Good morning, gentlemen, and thank you all for your service on so many fronts and for being here today.

There has been some mention about some of the contracts that are currently in place with TRICARE and this idea of opening it up to provide more options is something I think that is very interesting and necessary, especially in some places where access really is an issue.

Over the last couple of years, we had an issue in my district in Hawaii where military families and retirees who lived on islands other than Oahu were outside of the TRICARE prime jurisdiction and were then left with very little access other than to jump on a plane and travel to Oahu, which is cost prohibitive for a lot of people. So opening that up for more options, I think, is something that would be very interesting to families like those.

My question is about implementation, though. Given the current construct you mentioned, Mr. Buyer, the bureaucracy that exists within TRICARE now, what kind of timeline are we looking at should this proposal go through and continue to get to a point where these families would have these options?

Mr. BUYER. The way the contracts are structured, I believe that we could actually bring those TRICARE contracts to fruition and move to implementation. Anytime you move these big programs you need glide paths, that is what I have learned. And I believe, you know, you can't just say let's do this next year. So wind these contracts down. You can do that here over the next 2 to 3 years and then move to this new plan model. But do this in a glide——

Ms. GABBARD. I ask specifically because the TRICARE contract that has made this change and that covers the jurisdiction in Hawaii will be up, I believe, in about a year. So my concern would be that, we would get locked into something else that would continue that limitation.

General CHIARELLI. And make no doubt about it, the services have in fact, everyone has, in fact, used access as a way to control cost. The more pressure you put on to control health care costs, access becomes more difficult because the number of providers that are part of the network become fewer.

Admiral GIAMBASTIANI. We also——

Mr. MALDON. We have a 2-year implementation timeframe here from the time that the recommendations would be adopted.

Admiral GIAMBASTIANI. If I could just add one other piece too. I think it is important for members here to understand that we have worked very closely with the current OPM [Office of Personnel Management] director and his staff of which a former deputy director of TRICARE, Rear Admiral Christine Hunter, now retired, is working in OPM. So she's seen the best of both worlds on each side and that really has brought a tremendous amount of assistance to us as a Commission and working not only to transition but how to structure the program.

Ms. GABBARD. Right.

My next question that no one has brought up yet today is one that is core to all military families and that is the proposal to consolidate the commissary and exchanges. And I would like you to comment on how that change will affect them as well as the MWR [Moral, Welfare and Recreation] funds that the services currently receive through the exchanges.

Mr. MALDON. Thank you, Congresswoman, for that—for your question.

You know, we gave a lot of thought to this. We heard a lot about the commissaries. We had people all over the map, quite honestly, that when we traveled across the country and talked to people about their perceived value of the groceries discount. You know, the bottom line is after having looked at it carefully and talked to people, we had overwhelming support at the end of the day, where people said, you know, they believe there was a real value here in the commissary.

So that is why we made the recommendation that we did in terms of just consolidating it back in operations for those—for the exchanges, the three exchanges and their commissaries. And we believe that we could, by doing that, we were going to continue to meet those needs of what the service members and the families said that they preferred here with regard to commissaries.

So we are going to continue to meet that need that they have. And the culture belief is that there are some real savings there in the commissaries, and we did not want to take away from that.

We also believe that we could bring about some efficiencies, though, by consolidating the exchanges and the commissaries, the back-office operations type, because you are going to take out a lot of the costs in logistics, the IT [information technology] training, and that kind of thing.

The other piece of this, I think, with regard to cost, you know, we were going to be able to really deliver these goods still and take out $500 million of costs in that on an annual basis, and we thought that was a pretty good place to be.

I am going to ask Commissioner Higgins if he'll follow up too with some comments on the commissaries.

Mr. HIGGINS. Thank you, Mr. Chairman.

Congresswoman, I think what I would emphasize to you is that the core of our proposal is to preserve food, groceries, meats, produce at cost plus the surcharge. We are going to preserve that value. When we went around and talked to people, the response from the force was very mixed. The retirees are steadfastly very supportive of commissaries. The force is changing a lot, I believe, over my experience talking to the force over 30 years. There is a lot of mixed reviews.

There should be no illusions that DOD is not going to come after commissary money year after year after year. They are going to target commissaries. You are going to have a very difficult time here in the Congress protecting commissary funding. That means services are going to erode. What we offer will preserve services, and if you erode services in the commissary, hours, store-day openings, that kind of thing, if you erode those in a retail environment, people are going to find other places to shop.

When they do that in commissaries, the exchanges are going to take a terrible hit. We need to reform single manager. We can cross over those cultures, negotiate deals, the deals to protect MWR funding. We can do that. Absolutely, we can negotiate and protect that. We can protect some of the cultural service interests that they have and the coordination. For instance, the Marine Corps is very heavily invested in manpower and coordinating their family programs as well as the exchange. The same people do both. We can work through all those things.

Ms. GABBARD. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Ms. McSally.

Ms. MCSALLY. Thank you, Mr. Chairman.

And thank you, gentlemen, for your work on this issue. I do want to comment on just even the opening remarks where we talked about how the cost of personnel has gone up over the last several years, especially with 13 years of war. I think we are all aware of that. We can see the math. But as we all know in this room and you all who served, we can't be at war for 13 years and expect those costs not to go up.

And the constant deployments, the health care responsibilities, when the men and women in uniform raise their right hand to serve and put their lives on the line, we have a covenant with them. And although I appreciate the work you are doing to try and see where we can gain efficiencies, I do want to just be on the record to say we can't find those efficiencies on the backs, you know, of those who have served. And I know that is the work that you are trying to do, because we can't do that on the cheap.

You know, a lot of those costs have gone up because the compensation did not match what was happening in the private sector, again, increased health costs related to the deployments and the wounds of war, both physical and mental. And so we just need to make sure—and even with all that, we still have troops on food stamps, right. So we still have a problem here. And we have got to make sure that we recruit, retain the best and brightest, because freedom isn't free and we know that.

So I appreciate the work that you guys are doing in a very tough situation, but I am committed to make sure that there are no cuts to those who have served and those who are continuing to serve.

And I appreciate the work you have done specifically related to access to child care. The unique concerns of women in uniform, especially those who might be a single parent, and the challenges that they have with the duty hours and the dynamics they have. I mean, child care is the number-one issue—not number one, but a top issue that I am hearing from many service men and women who are trying to serve and still be parenting with all the challenges. So I appreciate that work in your report.

I will confess that I was one of the people who took your survey, since I am a retiree, so it is a little bit of undercover boss here. I will tell you I have some concerns with the survey having taken it. The way things were questioned, you know, and I am paraphrasing a little bit: You know, do you prefer the commissary or access to health care? Which is more important to you? And the re-

action of any retiree, I think, is like, yes, yes, all of the above, and then firewall to the right. And then like, no, you can't firewall to the right, okay. 100 and 99, 99, 99.

So, I mean, I was a flawed data point to your survey, but I think I represent many retirees who just feel like even the questions being asked create concern that, oh, my gosh, what are you going to make us have to choose between based on our commitment to serve and the commitment to us to serve.

So how much of your recommendations came from that survey? Because I have deep concerns about that survey, is my first question. And what is the feedback you have gotten from veterans service organizations so far on your recommendations?

Mr. MALDON. Congresswoman, let me take your latter two questions here, and we will get some of the other commissioners to respond as well.

First of all, with regard to the survey, you know, this survey was intended to really provide us with a point of data. It was not the only point of data that we were using in making our recommendations. Of course, it did, in fact, stack order one benefit against the other, and we needed that. That really kind of gave us a good indication of what service members really prefer in terms of value, so that was important to us.

And then, you know, I will tell you that truthfully everything that you have said here we totally agree with, and that is the way we actually approach this. We took a lot of time looking at every program and trying to figure out what is the second- and third-order effect? If we made a recommendation on one program, one benefit, looking at one benefit, what did it do for the other five benefits? And so we took that holistic approach in going through it, whether it was health care, it was pay, it was retirement, and quality-of-life programs, the commissaries and the other programs and ECHO [Extended Care Health Option], the Space-Available travel, whatever the case might have been with regard to quality of life. Every one of those recommendations were made in the support of an All-Volunteer Force.

We made sure as we went through this process that whatever we did we would either maintain those benefits for the service members—we all agreed to that early on—or we would improve those benefits. So I can assure you that we took that in consideration, and I hope that will address your concern in that regard.

I am going to ask Commissioner Giambastiani to respond as well.

Admiral GIAMBASTIANI. I would just say to you that I think we agree with the vast majority of your comments. I don't think the survey was a flawed one because I know all surveys are flawed. And the problem is, is that you try to achieve the best balance of how to get input from the surveys. But more importantly, if you are smart, you not only do paper surveys or computer surveys but you go out and talk with people.

And this Commission spent a huge amount of time engaging with the lowest enlisted up to the most senior officers, from the Joint Chiefs on down, up and down. And I have to tell you, our travels around the world and around the country really made a difference

and had a substantial impact. Also, with the family associations, if you will, wives' clubs, you name it——

Ms. MCSALLY. Spouses' clubs.

Admiral GIAMBASTIANI [continuing]. Spouses' clubs, you name it, and it just depends on where you go——

Ms. MCSALLY. Right.

Admiral GIAMBASTIANI [continuing]. I would tell you that the input we received across the board was exceptionally helpful to help us temper these recommendations.

Ms. MCSALLY. Great. Thanks. My time is expired.

If you don't mind in writing, your veterans service organizations, if you could get back on that, where they are, because my time is expired.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. MALDON. We will.

[The information referred to can be found in the Appendix on page 95.]

The CHAIRMAN. Mr. Walz.

Mr. WALZ. Thank you, Mr. Chairman.

And thank all of you for the incredible work you put in on this.

To Colonel Buyer and Commander Carney, it is great to see both of you again. Thank you for your continued service.

And I know how hard this was, and I know how difficult. This is the starting point of the discussion, and it is critically important. I think the gentlelady from Arizona's point was right on and spoken as someone with experience, and I am grateful for that.

We know and, again, some of the things you tackled, the DOD-VA collaboration, brilliant. We know that is where we need to go.

And, General, your point was right on dental. I would add that I went down as a first sergeant the last year before an ETS [end term of service]. I couldn't get a troop in because they knew VA would pay for it, and then that is the problem we come in. So you are right. Those are the things.

Looking at SBP [Survivor Benefit Plan] offset, you tackled one that is tough. No one wants to grab this one. You did it. You offered up a suggestion, which I am grateful for. I think that premium, I don't think anyone will take it, but you know what, it brought to light what it costs to do this. So, please, know that I approach it like this, and I am not coming at this as the caricature of the senior enlisted guy, but that little chip is on my shoulder. I don't see any on the Commission.

And what I am saying is, I hear you going out and talking, and the surveys, and the gentlelady brought up—oh there he is, yeah—brought up a good point in that the surveys are tough, because keep in mind that prior to last April the VA in Arizona had a 94 percent approval rating in Phoenix. We as soldiers, how is the chow hall? Compared to what? It is good; that is the only place I go. And so keep in mind when they are asking this, those they are going to get.

I say this out of reality because this is first and foremost, and I hear you echoing this, and this makes me feel confident, readiness and national security, those are our priorities, readiness and national security. But keep in mind what those troops are out

there. And I was with a group of 25 sergeant majors, none have any idea what was in this.

And when I started to say some of those things, here is the things they come back to me with: Where's the Commission on the 700,000 civilian employees? Have we got any recommendations here of that? Of course, they are going to come to this: How big have the command staffs gotten and the support there? What have you guys done there? They ask me, what about weapons systems acquisitions and procurements? Have we looked at any waste there?

Those are things they are asking for in saying we will make the hard choices, but we are not convinced everyone else has been asked. So I say this more to, not as a question because you have done the hard work and you have teed it up for us. We have got to get out there and make the case because this has to be buy-in, as you said. You are talking to a very small universe.

If you go out and sell this to the American public, 90 percent have no idea and they will probably agree with you. If it saves money and you tell them it keeps them safe, they will agree with it. The problem that we have is most of our warriors come from the same families. And if there is a break in trust in those families, you break the system.

And I say this only because, a small one, but I heard it and heard it and we are going to hear it, the transferability on the post-9/11 housing. Granted, it is huge. If my daughter, I have benefits, she's 14, she comes to DC to go to school, that is $85,000. That gets expensive and it gets expensive fast, but that is phasing out.

So what I heard was this is, what about the promise made and the promise broken? So I said, when I tee this up, and it is more of a statement and asking all my colleagues here, we have got to get out and make the case on national security. We have got to see our veterans service organizations that the gentlewoman asked about not as a detriment that they are going to come in and protect their own and say, no. They want to have a solution because they care first and foremost about national security. They care about the warriors and they want to get this right.

So I guess to my colleagues I say, we have been given a lot of thoughtful work and some very bold suggestions. Our job now is to see how it fits in the entire process and to get that buy-in, especially from that very small segment of the population that absorbs the huge brunt of this.

So I would just—any feelings or comments or as you hear this, I know I am speaking to a group, but perceptions do matter and we have got to get that.

Mr. BUYER. [Off mike.]

Mr. WALZ. Thank you. We have been down this road a few times, Colonel Buyer.

Mr. MALDON. Congressman, yes. Let me have Commissioner Chiarelli to respond specifically here, then we will have a couple more comments as well, if that is okay.

General CHIARELLI. Sir, I would just ask you to realize that this is a package of recommendations. And any one of these recommendations, as you start to paramount and change them in any way, there was going to be second- and third-order effects. And I

would really ask that you work with us to understand what those second- and third-order effects are, because that is the thing that scares me the most.

If you pull away a readiness command, I think that that causes some real issues as we look at how we are going to change the medical system, is an example.

Mr. WALZ. Our stakeholders have to know this.

General CHIARELLI. And I think it is just key that you work with us and our staff if at any time you feel that those kinds of adjustments need to be made.

Mr. WALZ. Appreciate it.

Thank you, Chairman.

The CHAIRMAN. Taking the general's point, I think it is a good point, but let me reassure the gentleman that a major part of the agenda of this committee is dealing with civilian overhead, bloated command staffs, and acquisition reform. I think the things the gentleman lists are exactly right. We may not be able to solve it all in a single swoop, but it is absolutely part of the agenda of this committee.

One of the reasons I appreciate what this Commission did is they weren't just out to find money to cut. They were there to see what works and what we need going into the future, and that to me is the heart of the matter that our committee has to look at, too.

So I appreciate the gentleman and also the work that has gone on.

Mr. Nugent.

Mr. NUGENT. Thank you, Mr. Chairman.

And I want to thank the Commission. And I have three sons that are currently serving, two Active Duty and one Army National Guard pilot. And they ask, Dad, what are you all doing? Are you cutting our benefits? I have one that is midrange, he is a major, one that is just captain, and they want to know what the future holds for them. And I think the general hit it.

There are a lot of parallels between law enforcement, which I was 39 years, and then the military. When I first went in law enforcement, I didn't care about retirement and I didn't care about medical, I mean, because I was invincible, I was young. But when I got married and had a family, all of a sudden medical became a real big deal in regards to starting a family and all those types of things.

Then as I got midterm and you start to decide, hey, listen, do I really want to continue doing this or can I make more money on the outside? And that is what I get hit with, two of my sons, I could make more money on the outside. So why should I stay?

Do we care about those guys and gals? Is it important enough for us to look at their benefits? Because at that midrange level the benefits become more and more important to them than the recruit, at least in my experience.

Just on the Reserve side of it, the TRICARE, I will tell you, is terrible, because my son, they were going to have a baby, and they had, guess what, that slice of physicians that were available was, like, zero compared to—unless they wanted to drive three counties away to get to that physician. There was none within that area.

And so that was a huge problem, and I couldn't believe it, but that was the case.

Even though the insurance was, you know, I think it was, I forget what company it was, but that doctor did it on the normal, but not on TRICARE, wouldn't see them because, hey, you are not on the normal insurance, even though it is the same company that was handling it. Big problem.

What you are trying to do I think is commendable. I am concerned, and I think those that you heard from, others that are retired, is that you can't change the plan of those that signed up. When my kids raised their hand, you can't change it midstream for somebody. And I think you have accomplished that, from at least what I have read, is that that is not in the mix, it is not changing.

Now, the healthcare portion does change. And I am concerned about, Colonel; you said we made a mistake back then. I just hope we are not making the same mistake this time. And I think you have given it a lot of thought because you were down that road.

Mr. BUYER. Absolutely.

Mr. NUGENT. But I just want to make sure, because I have 100,000-plus retirees in my district and they are pretty vocal. So I want to make sure that when I actually meet with some this Saturday at one of the vet fairs that we are doing, health fair, that I can say listen, you know—I want to have a better idea because I really don't have a good handle on what it does, what it changes for those retirees.

Your recommendation?

Mr. MALDON. Congressman Nugent, let me just respond real quickly here to your question.

First of all, I would separate the Active Duty military out because nothing changed there. Because of operation readiness, we made sure, we want to protect that industrial base of the MTFs, getting services there, and so forth. Nothing changes for the Active Duty service members.

Let's go to the other end of the spectrum. Nothing changes for those retirees that are Medicare eligible. They still have TRICARE for Life as we knew it.

The TRICARE for Choice, the new proposal that we are making here, it really includes those people in between. Those are the retirees that are non-Medicare eligible with regard to cost sharing. People we have talked to have indicated to us that they understand that the timing is such that you can't continue to stay at that 5 percent cost-share level. We have been very comfortable there for a long time, and that has been a great thing, but people really knew that a time was coming when you have got to do a little bit more.

What we have tried to do is take that into consideration and say, we are going to do a slow ramp-up of that in our proposal that goes from that 5 percent to 20 percent over a 15-year period of time. That is still a better deal than what the Federal employees get in their insurance plan. So they still would be paying a little bit less for health care than what a Federal employee would be paying, a nonmilitary person.

Mr. NUGENT. Just one last question quickly on the Reserve Component. The TSP match that you are talking about, is that also for Reserve Component?

Mr. MALDON. It is.

Mr. NUGENT. Okay.

Mr. MALDON. It is.

Mr. NUGENT. Because currently, you know, I talk to my son and say, listen, if you can put 20 bucks away, whatever it is. But if you are a Member of Congress or staff, they get a match to it and currently our Active Duty folks don't get a match. So I think that is an excellent idea moving forward.

Thank you. I appreciate it.

Mr. MALDON. Thank you.

The CHAIRMAN. Ms. Speier.

Ms. SPEIER. Thank you, Mr. Chairman.

And to the Chairman and members of the Commission, can I just say how remarkable your presentation has been. And while you have all given service to this country I believe on one level or another, I think your service that you have provided by virtue of this Commission is priceless.

Your recommendations are bold. They are thorough. As I have listened to many of my colleagues push back on you, you had the answers. And I am just, I am wowed by it.

Now, I just hope that we as members of this committee will emulate the boldness and the thoughtfulness that you have shown in your recommendations.

One of the things that really amazed me was to hear that TRICARE—I have a brother who is retired, TRICARE, and we go into fisticuffs on holidays because he thinks I am trying to take something away from him. But what was most impressive to me was your representation, Congressman Buyer, that, in fact, TRICARE is not as good as——

Mr. BUYER. That is right.

Ms. SPEIER [continuing]. What would be offered or what could be offered because the network is so small.

And I think part of what we need to do, and maybe you will join us in doing so, is educate military retirees and military personnel on the myths that have kind of grown up with the expectation that somehow this was better than what they could be getting and, in fact, it is not.

The fact that only 17 percent of those who serve actually retire in the military should give us also reason to pause because so much of those who have served to date in this 13-year war have been reservists. And I heard loud and clear from many of you that they want something out of this. So a TSP, some kind of a healthcare benefit, I think all of those things should, in fact, be factored in as well.

I am also reminded, and it should be not lost on any of us as members of this committee, that if we do not act, and act soon, the cost of military personnel and retirees will gobble up the entire defense budget I believe by 2039. So we have I think a responsibility that is grave to address this and address it now so it can be phased in appropriately.

And I think for any of us who have served in any other level of government, having tiers of retirement benefits and health care is reality. Those who have retired get to keep it. Those who are newly employed are in oftentimes a second tier, a third tier, even a fourth tier. And I think that is something that we have got to come to grips with.

I don't recall whether or not you addressed the issue of the pensions that were offered up a few years ago for the three- and four-star generals who we were told should have their pensions bumped to keep them on Active Duty. And as I understand it now, those pensions exceed the pension of the Commander in Chief by about 50 percent.

Did you address that issue at all? And I don't know exactly how much money that would accrue, but I would be interested in anything you have to say on that.

Mr. MALDON. Congresswoman, thank you for the question. We have two retired four-stars here on this Commission, and I am sure they are waiting to answer that question. I am going to start with Commissioner Chiarelli first.

General CHIARELLI. We looked at it. I think someone is giving you an inflated figure, to say that my pension is 50 percent greater than the Commander in Chief. I don't have his numbers at hand right now, but I doubt that very seriously.

Ms. SPEIER. The President of the United States will receive $200,000 a year in retirement benefits. We gave a particular bump I believe in 2008 or 2009 to three- and four-star generals, and their pensions now I think are at $270,000, something like that.

General CHIARELLI. I can't tell you the exact number. I don't know it. But I can tell you that it is one of the things that got me and other folks to remain in the service throughout a 40-year career. You know, one way or the other, for those of us who served a long time, we looked at it and we left it where it is.

Admiral GIAMBASTIANI. If I could jump in here, I would just like to put some perspective on this. What happened back in the 2006 timeframe, since I happened to work on this, is that we were trying to encourage senior officers and senior enlisted to remain in the service beyond 30 years.

Everybody thinks this is all about flag and general officers. But what we did is we started paying for retirement beyond 30 years for these senior enlisted and senior officers. And by senior officers, I am talking about warrants and LDOs, limited duty officers and warrant officers, senior enlisted, for example, Sergeant Major of the Army, Sergeant Major of the Marine Corps, Master Chief Petty Officer of the Navy, if you will, force and fleet master chiefs, these very senior guys.

And let me give you perspective. There are 4,000 people in 2006 who were serving greater than 30 years of service. Of that 4,000, 3,000 were senior enlisted and senior officers below flag and general officer rank. And there are 1,000 of that 4,000. And this encouraged these very senior people to stick around. Having a command sergeant major who has been in for 36 years who will stay for another 4 really makes a huge difference. Tremendous amount of experience.

So please don't think this was all about flag and general officers. They happened to be on the high end of this, as opposed to the other 3,000 who were being left behind.

Ms. SPEIER. All right. My time has expired. Thank you.

The CHAIRMAN. Mr. Scott.

Mr. SCOTT. Thank you, Mr. Chairman.

Gentlemen, I have been thinking over old stories, and I won't call them war stories because I never served in the military, but I majored in risk management, insurance, and I was an insurance broker for 20 years. And so I sat on that side of the table many times explaining to employees benefit changes.

And we all know that protecting the current system is not in the best interest of the men and women in our military or this country. And yet there seems to be the perception that any change is a takeaway. And I think it is probably harder here than anywhere else because of the politics of it.

And I will tell you, I will just give you a perfect example. The House voted several months ago to make a minor change in cost-of-living adjustments. And we certainly had our colleagues on the other side of the Capitol, told a lot of stories, and there was the perception that people's check was actually going to go down instead of not going up as fast.

This has got to be done. And changes have to be made. And I think the financial literacy training is one of the most important aspects of anything that you can do in this. And we need people to know what the cost of the healthcare benefits are.

And, General, as I heard you talking about the formulary for what in most cases would be antidepressants and the situation that you briefly described, that is a complex purchasing decision where we have hired a pharmacy benefit manager who has got different contracts with different drug manufacturers that, quite honestly, we need to have transparency there. And maybe we should have one pharmacy benefit manager for all of the, instead of multiples so that that formulary stays the same regardless of which agency or division or whatever we want to call it is providing the service. But there should also be transparency in those contracts so that we get to see what is being paid for it.

And I want to give you just a great example of how paying more and getting more are two totally different things in health care. I have taken Zyrtec for probably 20 years now. I used to pay $10 for it. After the drug manufacturer continued to go up on its prices, the insurance carrier I was covered under said, no more, you are going to have to pay $40 for it. And that was for 1 month. Today I can buy a 90-day supply for $19. And until the consumer becomes responsible for paying more of the cost, the more we end up paying for it in the end because those costs are hidden.

Now, I say that to get to the fact that I believe these changes have to be made. But I wonder if bumping the base pay of our people so that they know that there is not a dollar being taken away from them, that we are shifting the purchasing decision to them of what they do with their dollar, how much consideration there was given to that, and how much consideration was given to allowing somebody who is 2 or 3 years into their service to choose to move

to the new benefit plan instead of being forced to stay in the old one, at their choice, if they chose to move.

Mr. MALDON. Congressman Scott, let me respond to the first part of your question, then I will have one of the other members on the Commission to respond to the second part of it.

We looked at the pay table. We talked about the 350-plus programs that we looked at. This is part of it. The pay table was one of the first places that we went to. And having looked at it very carefully, we realized that it had served us very well over the last 42 years, plus during the last 13 years of war especially, a sound structure.

We didn't think there was a need to go there to make any changes in that because that would have been a major overhaul of the compensation benefit system and we didn't think that was necessary. What we wanted to do is to look for those opportunities to modernize the compensation program and the systems and that is what we did, that is what our recommendations provide here.

I am going to also ask Commissioner Higgins to talk to the latter part of your question.

If you would, Commissioner Higgins.

Mr. HIGGINS. Thank you, Mr. Chairman.

Mr. Scott, good to see you again, sir. And I believe you are referring to the retirement, about the choice, the 2, 3 years?

Mr. SCOTT. If I am, I am referring to pretty much the retirement, but making sure that somebody who is just a couple of years in, if they so chose, none of them would be forced into the new system, but they could choose to go into the new system if they wanted to.

Mr. HIGGINS. Oh, I see. The concern there is I think for the services, their observation would be that it would make their job a lot more complex with the uncertainty as to the choices that people would make. From a management standpoint, I think they would have concerns.

Certainly from our position on the Commission, we would have concerns about how the cost of that could be modeled. We delivered modernization. We believe we have stepped up and given people precisely what they are looking for in their retirement plan. And we believe that we understand the implications on retention, recruiting, and cost.

To open up that aperture soon after the individual arrives on Active Duty and give people the choice to stay in the old system versus entering our solution, our proposal, that would be very difficult to understand the implications of that on force structure and cost, and that would be a concern of ours, and why, frankly, we discussed that, but could not see a path forward to deliver what we think was necessary and include that kind of a proposal.

Mr. BUYER. Mr. Scott, on health care, with regard to the retirees, we wanted to be very holistic in our approach. TRICARE for Life is preserved. The pharmacy benefit is preserved. For the gray area retirees, as their premiums increase, I am sure you will hear someone say, oh, my gosh, I am paying more, you are breaking the faith, how can you break my promise? Wait. Time-out. You are tangled right now in a subpar health system.

You are delivering to them a better health system, that they can choose a plan that best fits their family's needs, right, that is what

you sell when you talk to your employers, improve their access, improve their quality, and they have got their choice, and there are utilization management tools that benefit the employer. And with regard to the pharmacy benefit, we are going to protect that because we are going to recommend that that be rolled into the fund. So they are getting a tremendous bump up for a slight bump in cost.

Admiral GIAMBASTIANI. I would also add that we are going to be in a long-term death spiral on TRICARE if we just stick the way we are and not change to this, if you will, smarter way to go. Why? Because as the amount of noncopayment or premium changes for these individuals, all the DOD can continue to do is either, one, put more money into the pot, which drives their costs up, or they will figure out ways to cut back on service, cut back on benefits continuously, and it is a death spiral. You just can't sustain this program to the manner to which we think we won't break faith with these individuals.

Mr. SCOTT. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Courtney.

Mr. COURTNEY. Thank you, Mr. Chairman. I apologize for being the last one between you and lunch, but I will be quick.

Thank you all. This is really just an impressive effort. And I want to also give a shout-out to my friend Chris Carney back there who I know helped with the effort here. Again, this is really important work that you are doing.

Admiral, you were just talking about the bad choices if we don't do anything, and the narrowing of the networks, which Mr. Buyer referred to. I mean, in Groton most of the docs in that area treat TRICARE as charity care and just roll their eyes when they talk about dealing with the system. And L+M [Lawrence+Memorial] Hospital ends up being sort of the provider, default provider, because, again, there is just so little acceptance of TRICARE. So doing nothing really is not a solution to anything here.

And, Mr. Higgins, maybe just walk me through again one more time real quick, and I will stop there, just the basic allowance for health care, just so if a sailor asks me about it back home I can kind of have some way to respond to it.

Assuming, again, we have this new structure, they pick Blue Cross, there is a premium, there is a copayment, there is a deductible, I mean, how does the basic allowance, I mean, does that cover all of it? Does it cover part of it? And family size we have already heard some rumblings about as an issue. So maybe you could just address that.

Mr. HIGGINS. I think what we are looking at here is trying for Active Duty family members, we want to make certain that their costs, their copays are covered as well as their premium amount that they would have to contribute to the health plan effort.

Now, the big part of the health plan purchase is going to be paid by the government. It is the 28 percent that falls to the family. And they would receive that 28 percent, whatever that plan cost may be. The beauty of the proposal is that there would be a variety of plan costs out there to choose from. Whatever that 28 percent is, we are going to pick up the average of those selected plans by the population, and they are going to receive that in their paycheck

every month. It is going to be transferred immediately to the health insurance plan, that 28 percent.

But on top of that, there will be a calculation of what the average out-of-pocket costs would be for the plan selected by the people in our system. And those out-of-pocket costs, we would believe, we have analyzed, would cover 85 percent of the out-of-pocket costs that could be expected. That means there is going to be some percentage of people that would have out-of-pocket costs, due to maybe events, illnesses, injury, that are greater than what would be provided to them. The important ingredient here is, if it is not higher, they get to keep that money that they received in their paycheck.

Now, if it is higher, there is going to be some percentage that may have additional out-of-pocket costs. But we do protect, we have a cap where we can ensure that those that are stricken by catastrophic illness, injury, and indeed face very high, extreme out-of-pocket costs, will have a fund, we would propose that a fund be established that would afford those families additional assistance to gap them from their extreme cost level from what they received in their paycheck to the catastrophic caps in the individual plans.

Mr. COURTNEY. Okay. So this network or exchange or whatever you want to call it where plans are going to be offered——

Mr. HIGGINS. Yes, sir.

Mr. COURTNEY [continuing]. Is that going to be a national array of carriers or is it going to be sort of regionalized or localized?

Mr. HIGGINS. It would be a mix. And I would defer to my colleague, Commissioner Buyer, to perhaps clarify on that.

Mr. Chairman, with your permission.

Mr. MALDON. Yes. Let me just say, number one, just on the BAHC [basic allowance for health care] itself, that is set regionally based on the average plan selected by the services, not the average plans that are out there on all of them, but the plans that are selected by the services. That is the answer. I just want to cover that.

Mr. COURTNEY. Thank you for pointing that out.

Mr. BUYER. And, yes, like at the FEHBP, you get that choice of national plans, regional plans, same type of thing that we would recommend. So, say, you are in a particular service and you are doing a lot of moving, you want to be in a national plan. I am in the Navy and I know I am going to be in San Diego for the next 10 years, I probably am going to be on a local plan.

But one thing that is really powerful about our holistic recommendations, it goes back to, I hate to be redundant, Mr. Chairman, but we are trying to empower the individual, whether it is in the financial literacy, about making those right judgments which would help them transition to civilian life, but also what are the best judgments for you with regard to your family on the health care. And that also helps them transition also to civilian life. So when we do that, it will have a tremendous impact upon our society also.

Mr. COURTNEY. Thank you, Mr. Chairman.

The CHAIRMAN. Just to take the burden off Mr. Courtney, I want to detain you just a moment longer and ask just a couple things.

Mr. Chairman, a lot of what you all have to do is estimates of costs, of how people are going to react to various incentives, and so forth. Can you just give me a feel for your confidence in the esti-

mates and modeling approach that you all used in understanding what the consequences of various proposals would be?

Mr. MALDON. Thank you, Mr. Chairman.

Yes, Mr. Chairman, we did our own analysis, of course. We had others that came in and we asked them to assist us with that. We used a company like RAND. RAND did on our retention, all of our retention stuff, they did the modeling for us there. On our health care, we had IDA [Institute for Defense Analyses] that actually provided a lot of modeling and analysis for us on the healthcare pieces of things. And there may have been some others here that——

Admiral GIAMBASTIANI. I think DOD Actuary, for example——

Mr. MALDON. Exactly.

Admiral GIAMBASTIANI [continuing]. Is a place where we spent a lot of time, and they are well respected in this area. We have had staff engagement with the Office of Management and Budget, CBO [Congressional Budget Office]. This has really been quite across the board. And we have tried to reference, the staff has done a very good job of referencing where the analysis and data has come from and who did the analysis and who looked at the data for us. Obviously we are ultimately responsible for it.

Mr. BUYER. Mr. Chairman, our confidence is high, but we welcome constructive critique.

The CHAIRMAN. I think it is just important for us to know that you and the people who have helped you have done the homework. Nobody is perfect in predicting the future, but trying to understand as best we can what is going to happen.

I guess the last thing I would do is just offer each of you an opportunity to mention either—Mrs. Davis asked about "aha" moment—but a key insight or a key consideration you think we need to keep in mind as we move forward on examining and considering the recommendations that you have made. And I would appreciate it if each of you could, if you have something, could share that with us.

Mr. MALDON. Thank you, Mr. Chairman.

Mr. Chairman, I think the "aha" moment here for me, and I believe I speak for the whole Commission when I say this, these recommendations we proposed, we proposed them in a holistic way and believing that they are best done or adopted as a whole as opposed to doing some of them separately, because they all are interrelated in a way.

For example, financial literacy training, we actually put that recommendation in there because just the changes that we are proposing here with regard to health care and with pay, retirement, one needs to really understand what that means and how they can best benefit from those programs or take advantage of the benefits that are offered in those programs. So having financial literacy training, as an example, would be very important to the totality of those recommendations that we offered, as an example.

For me, personally, we actually did 15 as opposed to doing 150 recommendations because we really looked at this and felt like these 15 recommendations were absolutely important to actually modernizing the system, the pay and compensation system, so that it would be in the best interests of the service members.

And I will now yield to, let me start with Commissioner Chiarelli to my left.

General CHIARELLI. I will tell you, I really believe that these recommendations are interrelated and so much of it is interrelated. I entered into the Commission thinking that it was Congress that had messed up TRICARE, that it was Congress who directed DOD to charge 10 to 15 percent below Medicare rates, only to find out that it wasn't. Congress told DOD to come closer to Medicare rates and DOD kept going.

I didn't know that we used TRICARE certification of provider to control the network. You can control costs two ways. You can control cost by price and you can control cost by the size of the network and what is available for people to use.

And that is one of the reasons why, if you get into the details of what we did in health care, we took very careful steps to ensure that people can't get in and do the same thing with this benefit that we have laid out that they have done with other benefits in the past. And to me, that is a critical piece, and I think it demonstrates the interrelationship of a lot of what we have done and how complicated it really is.

Mr. MALDON. Commissioner Higgins.

Mr. HIGGINS. I can certainly tell you the happiest moment was very early in the process when we were sitting with Chairman Maldon and it became very clear that we were not going to be a cost-cutting drill. That was a very important moment to me. And I think we lived that spirit literally in everything we have done and I was most impressed with that.

The second happiest moment I would say was when we began to formulate our proposals, that we found that we could deliver as good and better benefits to people and feel good about what we had done and still demonstrate that those proposals could be more efficient than what we are doing today.

Thank you, Mr. Chairman.

Mr. MALDON. Commissioner Buyer.

Mr. BUYER. I think mine was on health care, Mr. Chairman, to answer the question, can we do better?

And so when we looked at it and said, well, if we go to this TRICARE Choice and we bring the MTFs in and we want to preserve that high quality and the combat medical readiness at the MTF, what impact really is there going to be if we have better utilization management, better program management, there will be an increase in the cost shares for the gray area retirees, and if we then shift to an accrual funding for the non-Medicare-eligible retirees? Do the math. What is that really going to be? And when we did the math, we said, that is about $11.2 billion in savings and delivering a better quality product for all? That is an "aha" moment.

Mr. MALDON. Commissioner Giambastiani.

Admiral GIAMBASTIANI. As the anchorman here, let me say that I think if the House Armed Services Committee, you, Chairman, and all the members could take away, this is a 100 percent unanimous report. I know that doesn't happen all the time. And if you could remember one thing, that it is a unanimous report.

The second item I would tell you is that in my four decades in the military and since retirement I have not seen any study or survey, and I am not saying this because I am on this Commission, but I have not seen anything anywhere that has been as comprehensive and all-encompassing as this.

Now, I have to commend you and the Senate for giving us the tools and the funding to hire an incredibly professional staff to support these nine commissioners in coming up with this very significant look, the first real look at how the All-Volunteer Force has done over the years. It has confirmed the structure of a lot of it. But we hope we have given you the kind of recommendations that will sustain us into the future.

The CHAIRMAN. Well, all of us have seen lots of reports in this town, some of which are less than helpful. But I just want to repeat what I said at the beginning, you all have done what we asked you to do.

And, Mr. Chairman, you have been blessed, as I am sure you know, with some outstanding folks who have worked with you on this Commission. And we are incredibly grateful for the work that each of you have contributed.

This committee is going to work on the proposals you have made very seriously. And I am sure that we will continue to draw upon you, both at the subcommittee level and as we work with the Senate, to see exactly what we move ahead with in legislation.

So, again, thank you all for being here. Thank you for your work.

And with that, the hearing stands adjourned.

[Whereupon, at 12:37 p.m., the committee was adjourned.]

A P P E N D I X

February 4, 2015

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

FEBRUARY 4, 2015

Opening Statement of Chairman William M. "Mac" Thornberry

HEARING ON

Final Recommendations from the Military Compensation and Retirement Modernization Commission

February 4, 2015

It is often said that people are our most valuable resource. We must not overlook the truth of this important statement regardless of how often we hear it. At the heart of our nation's security are the men and women who serve, and we must always be mindful of what we are asking of them.

We are certainly asking more of our service members than ever before. Various actions and proposals by Congress or the Administration in recent years have caused some of our service members to question the country's commitment to them as they carry out the missions they are assigned. Among them is a steady stream of proposed pay cuts and fee increases, seemingly offered without a plan and without end.

Congress decided we needed a comprehensive look at military pay and benefits. We asked this Commission to examine what is working as intended and what is not, as well as how the military can continue to recruit and retain high quality personnel now and into the future.

Last week the Commission on Military Compensation and Retirement Modernization issued their report and recommendations. I believe that Commission Members have fulfilled their assignment in a thoughtful way.

I particularly appreciate the Commission's work to help us understand which of the various forms of compensation is most valuable to the men and women who serve – and to their families. Their proposals deserve a thorough examination.

As Congress reviews these recommendations, we must ask a few key questions:

—What sort of pay and benefits are working as we hoped they would?
—Which ones are not effective?
—And does this overall structure put the military in the best possible position to attract and keep the top-quality people we need moving ahead?

Resolving these questions will require our careful study and attention.

Military Compensation and Retirement Modernization Commission
Testimony Before the
House Armed Services Committee
February 04, 2015

Statement of:

The Honorable Alphonso Maldon, Jr., Chairman

The Honorable Larry L. Pressler

The Honorable Stephen E. Buyer

The Honorable Dov S. Zakheim

Mr. Michael R. Higgins

General Peter W. Chiarelli, United States Army (Ret.)

Admiral Edmund P. Giambastiani, Jr., United States Navy (Ret.)

The Honorable J. Robert Kerrey

The Honorable Christopher P. Carney

NOT FOR PUBLICATION UNTIL
RELEASED BY THE
HOUSE ARMED SERVICES COMMITTEE

Chairman Thornberry, Ranking Member Smith, distinguished members of the Committee: We are honored to be here and thank you for the opportunity to testify today. We also want to thank you for your support of the Commission during the last 18 months, and your leadership in protecting Service members' compensation and benefits.

Our All-Volunteer Force is without peer. This fact has been proven during the last 42 years and decisively reinforced during the last 13 years of war. It is our obligation to ensure the Services have the proper resources to support our Service members. Those resources include a valued compensation system that is relevant to contemporary Service members and that is operated in a modern and efficient manner. We are unanimous in our belief that our recommendations strengthen the foundation of the All-Volunteer Force and ensure our national security, now and into the future.

Our recommendations sustain the All-Volunteer Force by maintaining or increasing the overall value of the compensation and benefit system for Service members and their families. They also provide additional options for Service personnel managers to design and manage a balanced force. Our recommendations represent a holistic package of reforms that modernize the structure of compensation programs, rather than adjust the level of benefits delivered to Service members. This approach creates an effective and efficient compensation and benefit system that saves the Government, after full implementation, more than $12 billion dollars annually, while sustaining the overall value of compensation and benefits of those who serve, those who have served, and the families that support them.

Our work represents the most holistic and comprehensive review of military compensation and benefits since the inception of the All-Volunteer Force. Our Interim Report, published in June, 2014, documents the relevant laws, regulations, and policies; associated appropriated Federal funding; and historical and contextual backgrounds of more than 350 compensation programs. Consistent with our Congressional mandate, programs were reviewed to determine if modernization would ensure the long-term viability of the All-Volunteer Force, enable the quality of life for members of the Armed Forces and the other Uniformed Services, and achieve fiscal sustainability for compensation and retirement systems.

Based on the results of this review, our Final Report offers 15 unanimous recommendations that improve choice, access, quality, and value within the compensation system. Our retirement recommendation proposes a blended plan that extends retirement benefits from 17 percent to 75 percent of the force, leverages the retention power of traditional military retirement to maintain the Services' current force profiles, protects the assets of Service members who retire at 20 years of service, and reduces annual Federal outlays by $4.7 billion. Our health benefit recommendation improves access, choice, and value of health care for active-duty family members, Reserve Component members, and retirees, while reducing outlays by $3.2 billion. Our recommendation on commissaries maintains patrons' grocery discounts and reduces the costs of delivering that benefit by more than $500 million annually. Yet we did not engage in a cost-cutting drill. Our recommendations to improve joint readiness, Service members' financial literacy, support for exceptional families, and transition assistance require

additional funding to ensure program efficacy. Our recommendations also give the Services greater flexibility to recruit and retain a balanced force.

Our report is informed by our life-long experiences, but more importantly by the insights of a broad range of Service members, veterans, retirees, and their families. More than 150,000 current and retired Service members responded to the Commission's survey. The Commission visited 55 military installations, affording us the opportunity to discuss compensation issues with Service members worldwide. We developed an ongoing working relationship with more than 30 Military and Veteran Service Organizations. We also received input from more than 20 Federal agencies; several Department of Defense working groups; and numerous research institutions, private firms, and not-for-profit organizations. Our recommendations align compensation and benefit programs to the preferences of the modern Force and societal shifts since the inception of the All-Volunteer Force.

Taken as a whole, our recommendations create a modern and innovative compensation system that will be relevant to the contemporary and future workforce. By maintaining or improving benefits, while concurrently reducing costs, our recommendations address the ongoing tension between maintaining Service member benefits and reducing personnel budgets to meet the demands of the new fiscally constrained environment. We are confident that our recommendations to reform the compensation system protect the quality of life for Service members and their families and ensure the fiscal sustainability of these programs for the future.

We thank you again for the opportunity to testify today and are honored to present our unanimous recommendations that have one thing in common: These recommendations were formulated with the benefit to the Service members, and the families who support them, as the top priority.

Pay and Retirement Recommendations

1. Help more Service members save for retirement earlier in their careers, leverage the retention power of traditional Uniformed Services retirement, and give the Services greater flexibility to retain quality people in demanding career fields by implementing a modernized retirement system.

The current military retirement system for the Active Component (AC) is a defined benefit retirement system that vests at 20 years of service. Annuity payments are generally calculated by multiplying a member's retired pay base by 2.5 percent for each year of service completed. Reserve Component (RC) Service members may request retired pay after 20 years of "creditable service" as defined in law. Under the current military retirement system, 83 percent of enlisted personnel and 51 percent of officers receive no retirement savings for their service.

The Commission's recommended retirement system would maintain retirement pay for current Service members and retirees and set out a blended retirement plan for Service members entering the force. The blended plan would preserve the 20-year retirement with a reduced defined benefit multiplier of 2.0, create a defined contribution plan through a Thrift Savings Plan, and add continuation pay at 12 years of service to provide mid-career retention incentives. The recommended plan would provide additional options to Service members by authorizing them to choose full or partial lump-sum payments in lieu of their working-age defined benefit payments. The proposed plan would allow the Services to maintain their current force profiles. It would provide retirement benefits to potentially more than one million Service members who, under the current system, would leave service without any Government-sponsored retirement savings, yet it would maintain the value of the retirement system for Service members who serve 20 years or more. A blended retirement system would also provide flexibility to the Services to obtain the appropriate mix of skill and experience needed to maintain a balanced force.

2. Provide more options for Service members to protect their pay for their survivors by offering new Survivor Benefit Plan coverage without Dependency and Indemnity Compensation offset.

The current Survivor Benefit Plan (SBP) gives retiring Service members the option to provide a lifetime monthly annuity to qualified survivors. Service member premiums cover approximately two-thirds of the full cost of SBP coverage, and DoD subsidizes the remaining amount. Eighty percent of Service members who retired in 2013 enrolled in SBP. Survivors of retirees, entitled to Dependency and Indemnity Compensation (DIC) payments from the Department of Veterans Affairs (VA), are restricted by law from receiving the full amounts of both SBP and DIC benefits (SBP benefits are offset by the amount of DIC received). The Commission found the DIC offset of SBP very unpopular with Service members.

The Commission recommends maintaining the existing SBP program for Service members who want to select subsidized coverage and remain subject to the SBP-DIC offset, yet also granting Service members the option of choosing modernized SBP coverage that balances greater participation cost with no DIC offset. Survivors of Service members who elect the new SBP coverage would derive a greater overall benefit by receiving full SBP and DIC payments.

3. Promote Service members' financial literacy by implementing a more robust financial and health benefit training program.

The Services currently implement personal financial management training for their members according to their internal policies. Nevertheless, military personnel regularly make minimum payments, pay late fees, or pay over-the-limit charges on credit cards, and commonly borrow from nonbank financial institutions (e.g., pawn shops). Service members who get in financial trouble often lose their security clearance, which is costly to both the individual and the DoD. These facts demonstrate insufficient knowledge among some Service members with regard to managing their personal finances. The Commission concluded that existing financial literacy programs do not adequately educate Service members and their families on financial matters.

The Commission's recommendations, particularly with regard to retirement and health care, would provide increased choice and require educated financial analysis on the part of Service members. The Commission recommends that DoD increase the frequency and strengthen the content of its financial literacy training. Service members should receive financial training throughout their careers, including mandatory health benefits seminars when they register one or more dependents, and when they are nearing retirement from the military. Implementing a comprehensive training program would help educate Service members, provide them with enhanced tools to better protect their finances, and develop a culture of personal financial responsibility.

4. Increase efficiency within the Reserve Component by consolidating 30 Reserve Component duty statuses into 6 broader statuses.

Although Active Component members have a single duty status—active duty—Reserve Component (RC) members serve under a variety of duty statuses. In the current system, each time the purpose or the source of appropriation for an RC member's orders changes, existing orders must be cancelled, and new orders must be issued. The current RC status system aligns poorly to current training and mission support requirements, complicates effective budgeting, and causes members to experience disruptions in pay and benefits as they transition among different duty statuses.

The Commission recommends replacing the 30 current RC duty statuses with six broader statuses. Simplifying RC statuses would support both operational and training missions, better enable the purpose of RC duties to be tracked to justify budgets requests, and facilitate a seamless process for RC members.

Health Benefit Recommendations

5. Ensure Service members receive the best possible combat casualty care

The Military Health System (MHS) relies heavily on military treatment facilities (MTF) as training platforms to maintain the clinical skills of the military medical force. Military medical personnel assigned to MTFs deliver health care primarily to active-duty Service members and their families, then, as space is available, to military retirees and other eligible beneficiaries. Because most MTFs do not

have sufficient case mix and volume to adequately prepare military medical personnel for deployment into an operational environment, each Service has created separate trauma training programs to provide medical personnel additional training prior to deployment. There is, however, no consistency or standardization in the organization or requirement for this just-in-time trauma training. Continuing with this method for training medical personnel does little to preserve critical skills acquired over the last 13 years of war.

Congress should establish a four-star command to oversee all joint readiness, especially medical readiness. The proposed central oversight would ensure a necessary high-level joint focus overall and, more specifically, enhance the MHS as a training platform for identified Essential Medical Capabilities required by the medical force in support of deployed operations. Increased oversight would afford the medical force greater opportunities for continued training, creating a more ready force both in peacetime and in preparation for contingency operations.

6. Increase access, choice, and value of health care for active-duty family members, Reserve Component members, and retirees

The DoD's TRICARE program provides health care benefits for Active and Reserve Component Service members, retirees, their dependents, survivors and some former spouses at MTFs or through a network of civilian health care providers. The Commission found that TRICARE's payment schedule limits available doctors. It limits choice to only a small number of plans with a one-size-fits-all approach to covered benefits and determinations of medical necessity. The current benefit lacks flexibility in its program design and contracting process, which hinders adoption of advances in the health care sector. TRICARE also restricts access to care with a frustrating appointment and referral process. Beneficiaries prefer greater choice in their health care benefit options. Providing a wide range of different health plan options at different costs incentivizes cost-conscious consumer decision-making in health care.

The Commission recommends that AC families, RC members, and retirees would receive a better health care benefit by allowing them to choose from a selection of commercial insurance plans offered through a DoD health benefit program administered by the Office of Personnel Management. This program, which we call "TRICARE Choice," would increase beneficiaries' choice, enhance their access to care, and deliver a better value. Under an insurance model, the ease and timeliness of patients' access to health care would improve because beneficiaries would not be subject to DoD's lengthy and frustrating process for making appointments and obtaining referrals. The network of health care providers would be improved, especially in rural areas and areas without a substantial military presence. A broader network of providers would particularly assist RC members and retirees, who often live away from major active-duty installations. Active-duty Service members, for reasons related to operational readiness, would continue to receive their health care through their units or the direct care system MTFs.

7. Improve support for Service members' dependents with special needs by aligning services offered under the Extended Care Health Option to those of state Medicaid waiver programs

Service members with exceptional family members (EFMs) require specialized supplies and services that are not provided through TRICARE. State Medicaid waiver programs can satisfy these needs, but the frequency with which military families are moved between states, combined with the long waiting lists in most states, result in military families not having access to this support. The Extended Care Health Option (ECHO) is a DoD alternative, used when state services are unavailable. As it is currently implemented, ECHO does not provide coverage equal to state Medicaid waiver programs. As a result, many military families with EFMs do not have access to the same level of support as their civilian counterparts.

Aligning services offered under ECHO with those of state Medicaid waiver programs would enhance coverage for exceptional family members to ensure consistency with civilian programs. This change would improve continuity of support for EFMs as Service members and their families are relocated to support the DoD mission.

8. Improve collaboration between Departments of Defense and Veterans Affairs

The Joint Executive Committee (JEC) coordinates numerous health care activities between DoD and VA, including efforts in regards to electronic health records, drug formularies, resource sharing, and interagency billing. Yet there remain substantial opportunities for enterprise-wide collaboration through standardization, elimination of barriers, and adoption of best practices. The Commission found numerous, ongoing weaknesses exist in joint collaboration and cost-effectiveness between the health care services of DoD and VA.

The Commission recommends that the JEC should be granted additional authorities and responsibilities to standardize and enforce collaboration between DoD and VA, to include: defining and monitoring expenditures for common services that are regularly jointly conducted throughout DoD and VA health-care systems; approving in advance any new capital assets acquisition, or sustainment, restoration, and modernization of capital assets, of either DoD or VA medical components; overseeing electronic health record compliance with the Office of the National Coordinator for Health Information Technology standards across both DoD and VA; ensuring that the DoD and VA establish a health care record within the VA electronic health record system for all current military Service members; creating a uniform formulary to include all the drugs identified as critical for transition by the JEC beginning immediately with pain and psychiatric classes of drugs; and establishing a standard reimbursement methodology [process] for DoD and VA provision of services to each other. These actions should substantially ease the transition of Service members and improve collaboration between the Departments.

Quality of Life Recommendations

9. Protect both access to and savings at Department of Defense commissaries and exchanges by consolidating these activities into a single defense resale organization

DoD operates a system of commissaries and three separate systems of exchanges. These four systems, and their associated organizations, provide discounted groceries, merchandise, and other services to Service members and their families around the world, in locations convenient to those living on or near military installations. They also facilitate or provide services at sea and in theater. In surveys and testimony, many Service members have identified this benefit as relevant and valuable and some have indicated that the discounts are critical to their personal financial health. However, financial pressures within DoD have resulted in proposals to significantly reduce the funding appropriated to operate these organizations, primarily focused on commissaries.

Consolidating commissary and exchange activities into a single Defense Resale Activity would maintain or improve the benefit, while making changes in structure, law, and policy that would enable more aggressive reductions in appropriated funding. Despite their differences, these retail organizations perform similar missions, for similar patrons, with similar staff, using similar processes. A consolidated resale organization, with combined resources, increased operational flexibility, and better alignment of incentives and policies, would improve the viability and stability of these systems. Multiple DoD-sponsored studies have identified strategies to improve cost-efficiency. Organizational boundaries, different cultures and business strategies, competing incentives, and restrictive policies have inhibited the aggressive pursuit of many of these strategies. Creating a consolidated organization would reduce these barriers and better position commissaries and exchanges to meet the needs of the Military Services and Service members. The proposed plan would also maintain grocery subsidies at DoD commissaries, while improving the efficiency of the benefit delivery.

10. Improve access to child care on military installations by ensuring the Department of Defense has the information and budgeting tools to provide child care within 90 days of need

Military child care is widely acclaimed for its quality, affordability, and ability to satisfy the unique needs of military parents, but is frequently a source of frustration because of its limited availability. Current models for planning and resourcing full-time military child care often result in long waiting times, particularly for children who are 3 years old and younger, the ages for which care tends to be most expensive and least available from other sources. Although DoD has established a goal to provide military child care within 90 days of need, that goal is not yet being met, and in some cases waiting times are not being reliably measured or reported.

Ensuring DoD has the information and budgeting tools to provide child care within 90 days of need would both improve DoD's understanding of the effect of the unmet demand for military child care and enhance DoD's ability to provide a timely response to that demand. DoD should standardize reporting and monitoring of child care wait times across all types of military child care to better understand the need for services. To quickly respond to the need, the Commissioners recommend reestablishing the

authority to use operating funds for minor construction projects up to $15 million for expanding or modifying child development program facilities serving children up to 12 years of age. Recognizing that staffing, rather than facilities, is often the limiting factor, DoD should also streamline child care personnel policies to help ensure proper staffing levels.

11. Safeguard education benefits for Service members by reducing redundancy and ensuring the fiscal sustainability of education programs

DoD and the VA provide many programs that deliver educational benefits to Service members and veterans. Current education assistance programs include the Post-9/11 GI Bill, the Montgomery GI Bill Active Duty, the Montgomery GI Bill Selected Reserve, the Reserve Education Assistance Program, and Tuition Assistance. There are duplicative and inefficient education benefits that should be streamlined to improve the sustainability of the overall education benefits program.

Montgomery GI Bill Active Duty should be sunset on October 1, 2015. Reserve Education Assistance Program (REAP) should be sunset, restricting any further enrollment and allowing those currently pursuing an education program with REAP to complete their studies. Already enrolled Service members who elect to switch to the Post-9/11 GI Bill should receive a full or partial refund of the $1,200 that was paid to buy in to the MGIB-AD. Eligibility requirements for transferring Post-9/11 GI Bill benefits should be increased to 10 years of service, plus an additional commitment of 2 years of service. The housing stipend for dependents should be sunset on July 1, 2017. Eligibility for unemployment compensation should be eliminated for anyone receiving housing stipend benefits under the Post-9/11 GI Bill. When providing feedback in comments to the Commission, Service members repeatedly emphasized the importance of education benefits as recruiting and retention tools. Ensuring the robustness of education programs is one of the best ways to guarantee the future of the All-Volunteer Force. This recommendation would also support GI Bill benefits, including transferability, while improving their fiscal sustainability.

12. Better prepare Service members for transition to civilian life by expanding education and granting states more flexibility to administer the Jobs for Veterans State Grants Program

DoD, in partnership with the Department of Labor, the VA, and the Small Business Administration, maintains the Transition GPS program to help Service members and their families prepare for a successful transition to civilian life. Transition GPS services are delivered through a series of workshops administered by each Service. The DOL administers One-Stop Career Centers which offer employment services for job seekers across the country, including veterans after they have transitioned to civilian life. These facilities are part of state workforce agencies or employment commissions and are partially funded through a number of grants under DOL's Jobs for Veterans State Grants program. Despite these services, transitioning from military service to civilian life is more difficult than it needs to be. DoD should require mandatory participation in the Transition GPS education track for Service members planning to attend school after separation or those who have transferred their Post-9/11 GI Bill benefits. The Department of Labor should permit state departments of labor to work directly with state VA offices

to coordinate administration of the Jobs for Veterans State Grants program. Furthermore, One-Stop Career Center employees should attend Transition GPS classes to develop personal connections with transitioning veterans. A review of the core curriculum for Transition GPS should be required to reevaluate whether the current curriculum accurately addresses the needs of transitioning Service members, and DoD, VA, and DOL should be required to produce a one-time joint report regarding the challenges employers face when seeking to hire veterans.

13. Ensure Service members receive financial assistance to cover nutritional needs by providing them cost effective supplemental benefits

The Department of Agriculture's Supplemental Nutrition Assistance Program (SNAP), better known as the "food stamps" program, and the Family Subsistence Supplemental Allowance (FSSA), the Military Services' alternative to SNAP, have the same Congressional mandate and overarching goal of providing nutritional assistance to eligible beneficiaries. In many circumstances, however, it is easier to qualify for SNAP than it is to qualify for FSSA. SNAP benefits are typically more generous, and unlike FSSA, SNAP recipients have no obligation to inform their chain of command, thus avoiding perceived embarrassment or stigma. Estimates of Service members receiving SNAP vary widely because States are not required to collect or share data on Service members. DoD needs a better understanding of the number of Service families using SNAP and the financial situations of those families.

Although FSSA should be retained for Service members in overseas locations where SNAP assistance is unavailable, it should be sunset in the states and territories that provide SNAP benefits. The SNAP program should capture and share information on active-duty Service members receiving benefits to better inform military compensation and policy decisions. Adopting this recommendation would ensure Service members receive optimal supplemental nutritional assistance.

14. Expand Space-Available travel to more dependents of Service members by allowing travel by dependents of Service members deployed for 30 days or more

The Secretary of Defense is authorized to provide air travel for Service members, certain retirees, and their family members on a space-available basis. Space-Available travel regulations provide eligible passengers access to seats on military air transport flights that would otherwise be empty. Unused seats on DoD-owned or controlled aircraft are only made available to Space-A travelers once space-required (duty) passengers and cargo have been accommodated. Current DoD policy permits unaccompanied dependents to use Space-A travel, but only when their sponsor is serving a deployment of at least 120 days. In recent years, frequent deployments have been a reality for many Service members and many were shorter than 120 days, making dependents of these deployed Service members ineligible for Space-A travel.

DoD should allow unaccompanied dependents of Service members deployed for 30 days or more to use Space-A travel. The quality of life of Service members' dependents should be improved by providing this access to unaccompanied travel on military aircraft.

15. Measure how the challenges of military life affect children's school work by implementing a national military dependent student identifier

Children of active-duty Service members are not identified separately in nationwide reporting of student performance. Most elementary and secondary school student registration data systems do not include an indicator of students who have a military affiliation. These children experience unique stresses associated with parental deployments and frequent relocations that can adversely affect academic performance. As a result, national reports on student performance cannot reliably differentiate military dependent students from all others.

A military dependent student identifier should be implemented so that Elementary and Secondary Education Act reporting can identify students who are children of active-duty Service members. This information would enhance support for military dependent students by facilitating DoD's ability to monitor academic performance.

Thank you again for the opportunity to testify regarding our recommendations. We also want to thank all who contributed to our final report. The Commission is grateful to have been given the opportunity to make recommendations to strengthen the best All-Volunteer Force in the world. Ensuring our Service members, veterans, retirees, and their families' get the support they need is a responsibility the Commission took very seriously. Thank you to all those who serve, those who have served, and the families that support them.

MILITARY COMPENSATION AND RETIREMENT MODERNIZATION COMMISSION

ALPHONSO MALDON, JR.
CHAIRMAN

Alphonso Maldon, Jr., is the Founder and President/CEO of Partnership Strategies Consulting. He is also a founding partner of the Major League's Washington Nationals Baseball Club, having led and managed a group of investors that developed and helped finance the bid to purchase the franchise. He was responsible for public relations, governmental affairs and community relations as the Nationals' Senior Vice President, External Affairs and also served as President of the Dream Foundation, the team's philanthropic arm.

Maldon served as the Assistant Secretary of Defense for Force Management and Policy from 1999 to 2001. In this role, he was responsible for policies, plans and programs for all military and civilian personnel management and oversaw the Department's commissaries/stores and Department of Defense Schools. Prior to that, he served as Deputy Assistant to the President and Director of the White House Military Office, responsible for Operations, Logistics and Communications and managing and directing a staff of over 2,200 employees. Maldon was appointed Special Assistant to the President for Legislative Affairs in 1993, responsible for providing policy-making and strategic advice to President Clinton.

Maldon entered active duty service as a commissioned officer in the U.S. Army in 1972, with tours of duty in Europe, Southeast Asia, Hawaii and various other posts. He held positions including Executive Officer, Armed Forces Staff College, and Admissions and Public Liaison Officer at the United States Military Academy, West Point, NY. In addition, he served as a Field Artillery and Adjutant General Corps officer. He completed his military career as Deputy Director for Army Legislative Affairs in 1993 in the U.S. House of Representatives.

Maldon has also served as Senior Vice President and Senior Relationship Management Officer for Government Banking Services for PNC Financial Services Group, responsible for strategy, marketing and cultivating relationships with federal agencies. He previously was Executive Vice President with Fleet Boston Financial and Bank of America, overseeing such areas as global procurement, facilities planning and strategy, commercial real estate transactions and federal government banking. He opened and headed Fleet Boston Financial's Washington operation, generating more than $60 million annually in new business.

He is an alumnus of the University of Oklahoma and Florida Agricultural & Mechanical University (FAMU). He is a graduate of various military schools and colleges including the Command and General Staff College, and The Armed Forces Staff College.

His awards and honors include the Distinguished Civilian Public Service Medal and the United States Congressional Award for Leadership and Patriotism, as well as military decorations such as the Legion of Merit and the Defense Meritorious Service Medal (with two Oak Leaf Clusters).

MILITARY COMPENSATION AND RETIREMENT MODERNIZATION COMMISSION

STEPHEN E. BUYER
COMMISSIONER

Stephen E. Buyer was a member of the United States House of Representatives, serving nine consecutive terms and representing Indiana's 4th (previously 5th) Congressional district from January 1993 to January 2011. Congressman Buyer's long tenure in the Congress, especially his service on the Committees on Veterans Affairs and Armed Services, along his many years of active and reserve military service, afford him considerable insight into the challenges facing service members, veterans and families.

Congressman Buyer served as Chair of the Committee on Veterans Affairs for the 109th Congress, as well as the Ranking Minority Member for the 110th and 111th Congresses. Congressman Buyer also served on the House Armed Services Committee from 1993 to 2001, including as Chair of the Subcommittee on Military Personnel in the 105th and 106th Congresses. He founded and co-chaired the National Guard and Reserve Components Caucus. He created TRICARE For Life and authored the military's pharmacy redesign. His other Congressional assignments included service on the health and technology subcommittees of the Committee on Energy and Commerce from 2001 to 2010, where he assisted in creating Medicare Part D. He also served the House Committee on Judiciary from 1993 to 1999 and served as a House Impeachment Manager in the Trial of President Clinton.

Congressman Buyer, as an Army Reserve officer, has served four years on active duty, including a tour of duty in Iraq during the first Gulf War (1990-91) as an Operational Law Judge Advocate, providing legal counsel to commanders and interrogating Iraqi POW's. After 30 years of credible service, he retired in the rank of Colonel in the U.S. Army Reserve Judge Advocate General Corps.

Prior to his tenure in the United States Congress, Congressman Buyer served as a Special Assistant United States Attorney, served as an Indiana state Deputy Attorney General, and engaged in a private law practice. After retiring from the Congress in 2011, Congressman Buyer created his own firm called the Steve Buyer Group, LLC.

Congressman Buyer is a distinguished military graduate of The Citadel in 1980 with a B.S. degree, and received his J.D. from Valparaiso University School of Law, Valparaiso, Indiana in 1984. He is a member of the Indiana and Virginia Bar.

MILITARY COMPENSATION AND RETIREMENT MODERNIZATION COMMISSION

MICHAEL R. HIGGINS
COMMISSIONER

Michael R. Higgins served as a Professional Staff Member of the Committee on Armed Services in the U.S. House of Representatives from 1990 through 2013. During that time, he served seven committee chairmen and eight subcommittee Chairmen. As such, he is a senior policy and programmatic authority on all aspects of military human resources policy and law across the military departments.

In particular, Mr. Higgins served on the Subcommittee on Military Personnel from 1995 to 2013, as well as from 1990 to 1993. In this role, he advised Congressional leaders on a wide range of personnel issues, including force structure, recruiting and retention, military personnel policy, compensation, military retirement, health care, childcare, morale, welfare and recreation programs, gays and lesbians in the military, and military resale programs. During 1994, he served on the Subcommittee on Readiness, focusing on issues such as dependent education programs, operations and maintenance training and base operations accounts.

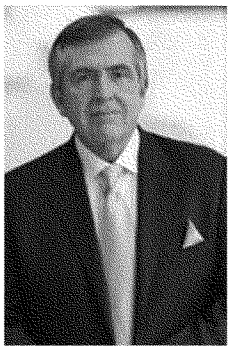
During his tenure at Congress, Mr. Higgins conducted oversight of Department of Defense programs and provided results, background information, program budget assessments, and administrative support to Members of Congress regarding issues pertaining to military personnel policy, compensation, morale, welfare and recreation programs, and other quality of life and benefit programs. He developed related policy guidance and legislation for approval by the committee and adoption by the House of Representatives. Mr. Higgins also served as a military human resources information asset for Members of Congress and their staffs and the leadership offices of the House of Representatives.

Mr. Higgins served as a career personnel officer in the Air Force for 20 years, retiring as a Lieutenant Colonel in May 1990. His assignments included a variety of unit personnel positions, the Military Personnel Center, the Office of the Secretary of the Air Force, and as a unit commander.

Mr. Higgins was born in Long Branch, New Jersey, received a bachelor's degree from Davis and Elkins College, and earned a master's degree in business management from Troy State University.

MILITARY COMPENSATION AND RETIREMENT MODERNIZATION COMMISSION

PETER W. CHIARELLI
COMMISSIONER



General Peter W. Chiarelli served as the 32nd Vice Chief of Staff of the U.S. Army from August, 2008 through January, 2012. In this capacity, he was the second-highest-ranking officer on active duty in the Department of the Army. He also represented the Army at the Office of the Secretary of Defense in areas relating to Army capabilities, requirements, policy, plans, programs, and Joint forces capabilities. He retired from the U.S. Army on January 31, 2012 after nearly 40 years of service.

In his previous assignments, he was the Senior Military Assistant to the Secretary of Defense from March 2007 to August 2008. His principal staff assignments have been as the Operations Officer, 1st Cavalry Division at Fort Hood, Texas; Executive Assistant and later Executive Officer to the Supreme Allied Commander, Commander United States European Command at SHAPE Headquarters, Mons, Belgium; as the Director of Operations, Readiness and Mobilization, at Headquarters, Department of the Army.

He commanded a motorized infantry battalion at Fort Lewis, Washington; an armor brigade at Fort Lewis, Washington; served as the Assistant Division Commander for Support in the 1st Cavalry Division at Fort Hood, Texas; commanded the 1st Cavalry Division at Fort Hood, Texas and in Iraq during Operation Iraqi Freedom II; and commanded Multi-National Corps-Iraq.

He hails from Seattle, Washington and is a Distinguished Military Graduate of Seattle University. General Chiarelli was commissioned a second lieutenant of Armor in September 1972. Throughout his career he has served in Army units in the United States, Germany and Belgium. He has commanded at every level from platoon to corps.

General Chiarelli holds a Bachelor of Science Degree in Political Science from Seattle University, a Masters of Public Administration from the University of Washington, and a Masters of Arts in National Security and Strategy from Salve Regina University.

MILITARY COMPENSATION AND RETIREMENT MODERNIZATION COMMISSION

EDMUND P. GIAMBASTIANI, JR.
COMMISSIONER

Admiral Giambastiani served as the seventh Vice Chairman of the Joint Chiefs of Staff from August, 2005 through July, 2007. In this capacity, he was a member of the Joint Chiefs of Staff and the Nation's second highest ranking military officer. As Vice Chairman, Admiral Giambastiani chaired the Joint Requirements Oversight Council, co-chaired the Defense Acquisition Board, and served as a member of the National Security Council Deputies Committee and the Nuclear Weapons Council. In addition, he worked with Deputy Secretary of Defense as Co-Chair of the Deputies Advisory Working Group, which oversaw implementation of the 2006 Quadrennial Defense Review and other high level Departmental business issues.

Admiral Giambastiani's operational assignments included the USS PUFFER (SSN 652), FRANCIS SCOTT KEY (SSBN 657) (BLUE), and the USS RICHARD B. RUSSELL (SSN 687), where the crew was awarded three consecutive Battle Efficiency "E"s, three Navy Unit Commendations, and two Fleet Commander Silver Anchors for excellence in enlisted retention. He led Submarine Development Squadron Twelve, an operational submarine squadron that also serves as the Navy's Warfare Center of Excellence for submarine doctrine and tactics. He served as the first director of strategy and concepts at the Naval Doctrine Command, as Commander, Atlantic Fleet Submarine Force; Commander, Submarines Allied Command Atlantic; and Commander, Anti-Submarine and Reconnaissance Forces Atlantic. Other assignments included duties as an enlisted program manager at the Navy Recruiting Command Headquarters, Washington, DC, in the early days of the all volunteer force; Special Assistant to the Deputy Director for Intelligence, Central Intelligence Agency; and, a fellowship with the Chief of Naval Operations' Strategic Studies Group. As a flag officer, he served as the Deputy Chief of Staff for Resources, Warfare Requirements and Assessments for the Commander, U.S. Pacific Fleet; Director of Submarine Warfare for the Chief of Naval Operations; Deputy Chief of Naval Operations for Resources, Requirements, and Assessments; and as the Senior Military Assistant to the Secretary of Defense. His previous assignment was as NATO's first Supreme Allied Commander Transformation and as Commander, United States Joint Forces Command, where he led the transformation of NATO and U.S. military forces, capabilities and doctrines and the introduction of new technologies.

Following his retirement, Admiral Giambastiani was a member of the guiding coalition of the Project on National Security Reform, which made recommendations for transforming the U.S. national security system. He has also been the Chairman of Alenia North America and a trustee of several organizations, including Boeing, Mercury Defense Systems, Monster Worldwide, Rochester Municipals, and several Oppenheimer mutual funds. He has been a trustee of the U.S. Naval Academy Foundation and MITRE Corporation, as well as an advisory board member of the Massachusetts Institute of Technology Lincoln Laboratory and the Maxwell School of Citizenship and Public Affairs of Syracuse University.

DOCUMENTS SUBMITTED FOR THE RECORD

FEBRUARY 4, 2015

Statement of

The Fleet Reserve Association

On

The Recommendations of the

Military Compensation and

Retirement Modernization Commission

Submitted to:

House Armed Services Committee

By

Thomas J. Snee, M. Ed,
FRA National Executive Director
FORCM (SW), USN, (Ret)

February 4, 2015

The FRA

The Fleet Reserve Association (FRA) celebrated 90 years of service last November 11, and is the oldest and largest enlisted organization serving active duty, Reserves, retired and veterans of the Navy, Marine Corps, and Coast Guard. It is Congressionally Chartered, recognized by the Department of Veterans Affairs (VA) as an accrediting Veteran Service Organization (VSO) for claim representation and entrusted to serve all veterans who seek its help. In 2007, FRA was selected for full membership on the National Veterans' Day Committee.

FRA was established in 1924 and its name was derived from the Navy's and Marine Corps program for personnel transferring to the Fleet Reserve or Fleet Marine Corps Reserve after 20 or more years of active duty, but less than 30 years for retirement purposes. During the required period of service in the Fleet Reserve, assigned personnel earn retainer pay and are subject to recall by the Navy.

FRA's mission is to act as the premier "watch dog" group in maintaining and improving the quality of life for Sea Service personnel and their families. FRA is a leading advocate on Capitol Hill for enlisted active duty, Reserve, retired and veterans of the Sea Services. The Association also sponsors a National Americanism Essay Program and other recognition and relief programs. In addition, the FRA Education Foundation oversees the Association's scholarship program that presents awards totaling nearly $123,000 to deserving students each year.

The Association is also a founding member of The Military Coalition (TMC), a 33-member consortium of military and veteran's organizations. FRA hosts most TMC meetings and members of its staff serve in a number of TMC leadership roles.

For nine decades, dedication to its members has resulted in legislation enhancing quality of life programs for Sea Services personnel, other members of the uniformed services plus their families and survivors, while protecting their rights and privileges. CHAMPUS, (now TRICARE Standard) was an initiative of FRA, as was the Uniformed Services Survivor Benefit Plan (USSBP). More recently, FRA led the way in reforming the REDUX Retirement Plan, obtaining targeted pay increases for mid-level enlisted personnel, and sea pay for junior enlisted sailors. FRA also played a leading role in advocating recently enacted predatory lending protections and absentee voting reform for service members and their dependents.

FRA's motto is: "Loyalty, Protection, and Service."

Certification of Non-Receipt
Of Federal Funds

Pursuant to the requirements of House Rule XI, the Fleet Reserve Association has not received any federal grant or contract during the current fiscal year or either of the two previous fiscal years.

Introduction

Mr. Chairman, FRA salutes you, the Ranking member and all members of the Committee, and your staff for the strong and unwavering support of programs essential to active duty, Reserve Component, and retired members of the uniformed services, their families, and survivors. The Committee's work has greatly enhanced care and support for our wounded warriors and significantly improved military pay, and other benefits and enhanced other personnel, retirement and survivor programs. This support is critical in maintaining readiness and is invaluable to our uniformed services engaged throughout the world fighting to stop terrorism generated by Islamic extremism, sustaining other operational requirements and fulfilling commitments to those who have served in the past.

Background

The FY 2013 National Defense Authorization Act (H.R. 4310 – P.L. 112-239) establishes the Military Compensation and Retirement Modernization Commission (MCRMC), but limits its recommendations from being a BRAC-like endorsement, as originally proposed, in its review of the current compensation and military retirement system. FRA believes it's important that this distinguished Committee, its Senate counterpart, and House and Senate Personnel subcommittees maintain oversight over commission recommendations. While FRA supports many of the Commission's recommendations it was noted that no enlisted personnel were appointed to serve on the Commission. Nearly 75 percent of the current active force is enlisted and therefore should have representation on this Commission.

The commission was instructed not to alter the current retirement system for those already serving, retired or in the process of retiring. Along with a review of military compensation, the president asked that the commission look at the "interrelationship of the military's current promotion system."

The driving-force for creating the MCRMC has been the myth that "personnel costs are eating us alive" and that personnel costs are "unsustainable."

Of historical note in 1986 Congress passed, over the objection of then Secretary of Defense Casper Wienberger, major retirement changes, known as "Redux," that significantly reduced retirement compensation for those joining the military after 1986. FRA led efforts to repeal the act in 1999 after the military experienced retention and recruitment problems. The Association continues to monitor the take rate for personnel choosing between remaining on the High 3 program, or the Redux program at 15-years of service.

The Commission believes that it can make drastic changes to pay, retirement, and other benefits and assumes it will have no impact on retention, recruitment, and readiness. Past experiences

with substantial benefit changes indicate otherwise. Rhetoric about "unsustainable" personnel costs since 2000 is misleading. Improvements since 2000 to personnel programs were needed to offset pay and benefit cutbacks of the late 1980s and the 1990s that undermined retention and recruitment.

The U.S. Navy completed a study from May 1, 2014 through May 30, 2014, to better understand the barriers to adequate retention for the Navy. The survey indicates that Sailors are most likely to leave uniformed service because of a perception of increasingly high operational tempo, poor work/life balance, low service-wide morale, declining pay and compensation, declining desire to hold senior leadership positions, and widespread distrust of senior leadership, all of which erodes loyalty to the Navy.

The survey indicates that 80.4 percent rank the current retirement system (defined benefit pension), and 73.9 percent rank pay, as the two most important reasons to remain in uniform. When asked about the impact of the current 20-year retirement plan, 75.8 percent of enlisted and 80.9 percent of officers said changing to a 401 K style system would make them more likely to leave earlier in their career. The survey seems to indicate that any drastic changes to the military retirement system could have catastrophic consequences for retention. The study conclusions are based on a random sample of 5,536 responses with a margin of error of 1.3 percent.

FRA wants to thank the members of the Commission and their staff for allowing FRA to have input while the report was being written. The Commission met with 97 other advocacy groups as well. The MCRMC visited 55 military installations, received more than 150,000 survey responses from active duty and retirees, and held eight Town Hall meetings in their efforts to understand the complexity of the military compensation and retirement systems.

MCRMC Final Report

The report makes 15 major recommendations intended to improve the cost-effectiveness of quality benefits for those who currently serve, have served and will serve in the future. The first recommendation provides a blended retirement benefit to future service members and retirees. The current defined benefit plan after 20 years of service would be replaced by smaller defined benefit plan and a mandated defined contribution plan known as a Thrift Savings Plan (TSP) providing a one percent employer contribution. Any employee contributions for the first two years would be matched by employer up to three percent of pay, and after two years the employer would match up to 5 percent. FRA opposes the first recommendation believing that shifting benefits from 20-year career service members to service members with as little as two years of service with a portable benefit is laying the groundwork for catastrophic retention crisis.

No federal government obligation is more important than national security. And the most important element of national security is sustainment of a dedicated, top quality career force.

The All-Volunteer Force (AVF) has performed well. It has endured a 13 year long conflict with terrorism. Absent the career drawing power of the current 20-year retirement system, FRA would contend that, sustaining adequate retention levels over an extended period of constant combat deployments would have been impossible. The Association believes that "civilianization" of the military benefit package will dramatically undermine the primary military career incentive and will prove to be catastrophic for retention and readiness. The current retirement system was established to ensure a strong and top-quality career force despite arduous service conditions, that few civilians ever experience and few would be willing to accept.

The TSP provides a portable investment that will encourage mid-level service members to seek employment in the civilian sector. FRA believes that a military career is a unique profession that requires a unique retirement system. The MCRMC retirement changes would reduce the number of career service members dramatically. Career senior non-commissioned officers (NCOs) are the backbone of our military and their leadership and guidance are invaluable and a result of specialized years of training and experience.

Recommendation 6 impacts current active duty, the Reserve Component, and retirees under age 65 and is the most wide-ranging recommendation that calls on Congress to replace the current health care arrangement with a new system that provides beneficiaries with choices offered by commercial insurance companies. The Commission found that TRICARE is no longer fiscally sustainable. FRA does **not** support or oppose this recommendation at this time; but believes that such vast and dramatic change to the health care benefit requires a second opinion.

Beneficiaries would be switched to a plan similar to the Federal Employee Health Benefit Program (FEHBP), except that Military Treatment Facilities (MTF) would be included in the network. Like the FEHBP beneficiaries could choose from a selection of commercial insurance plans. The plan would be administered by the Office of Personnel Management (OPM) rather than the Defense Department (DoD). Beneficiaries would be required to pay 20 percent of all health care costs. Beneficiary family members would not be covered under the plan and would be provided a Basic Allowance for Health Care (BAHC) to cover the cost of premiums and deductibles for an average health care plan. Reserve Component (RC) members who are mobilized would also receive a BAHC in lieu of TRICARE coverage.

The Association believes that recommendation 2 misses the mark by not addressing the 60,000 survivors that currently have their Survivor Benefit Plan (SBP) being offset by VA Dependency and Indemnity Compensation (DIC). FRA advocates that this "widow's tax" should be eliminated. Further providing an option that nearly doubles SBP premiums from 6.5 to 11.25 will have few buyers. The report does not comment on the Special Survivor Indemnity Allowance (SSAI) for surviving spouses of members who died while serving on active duty that will sunset at the end of FY 2017. FRA strongly supports eliminating or at least extending this provision if SBP/DIC offset is not repealed.

SBP and DIC payments are paid for different reasons. SBP is purchased by the retiree and is intended to provide a portion of retired pay to the survivor. DIC is a special indemnity compensation paid to the survivor when a member's service causes his or her premature death. In such cases, the VA indemnity compensation should be added to the SBP the retiree paid for, not substituted for it. It should be noted as a matter of equity that surviving spouses of federal civilian retirees who are disabled veterans and die of military-service-connected causes can receive DIC without losing any of their federal civilian SBP benefits. Further FRA believes Congress should reduce the age for paid-up SBP to age 67 for those who joined the military at age 17, 18 or 19.

FRA strongly supports recommendation 3 that promotes financial literacy and believes it should be expanded to include educational information on the Uniform Services Former Spouse Protection Act (USFSPA).

The Association was in the forefront of supporting the enactment of the MLA in 2006 and supported the creation of the Office of Military Liaison within the CFPB when the Bureau's enabling legislation was enacted in 2010. FRA continues its work to ensure active duty personnel are protected from predatory lenders, and urges this subcommittee to ensure that the MLA is effectively administered. The Association applauds recent efforts by the Consumer Finance Protection Bureau (CFPB) to regulate predatory lenders through enforcement of the Military Lenders Act (MLA).

Active duty members that get divorced also need protections from USFSPA, and FRA recommends that they be educated about the negative consequences of this badly drafted legislation. FRA urges Congress to review the Uniformed Services Former Spouses Protection Act (USFSPA) with the intent to amend the language so that the Federal government is required to protect its service members against State courts that ignore the Act. The USFSPA was enacted 33 years ago; the result of Congressional maneuvering that denied the opposition an opportunity to express its position in open public hearings. The last hearing, in 1999, was conducted by the House Veterans' Affairs Committee rather than the House Armed Services Committee which has oversight authority for USFSPA. FRA believes that the Pentagon's USFSPA study recommendations are a good starting point for reform. *This study includes improvements for both former spouse and the service member.*

FRA strongly supports recommendation 4 that urges Congress to replace the 30 current Reserve Component statuses with 6. FRA stands foursquare in support of the Nation's Reservists and to improved compensation and benefits packages to attract recruits and retain currently serving personnel. The Association also wants to make the early retirement credit retroactive to September 11, 2001, after which the Reserve Component changed from a strategic Reserve to an operational Reserve.

FRA supports recommendation 5, but is unsure if this can be effectively implemented.

The Association supports recommendation 7 that seeks to improve support for service members with special dependents.

FRA welcomes recommendation 8 that attempts to improve collaboration between DoD and the VA. FRA supports a joint electronic health record that will help ensure a seamless transition from DoD to VA for wounded warriors, and establishment and operation of the Wounded Warriors Resource Center as a single point of contact for service members, their family members, and primary care givers. FRA is concerned about shifting of departmental oversight from the Senior Oversight Committee (SOC) comprised of the DoD and VA secretaries per provisions of the FY 2009 National Defense Authorization Act, to the more lower echelon Joint Executive Council (JEC) which is now responsible for supervision, and coordination of all aspects of DoD and VA wounded warrior programs. This change is perceived by many as diminishing the importance of improving significant challenges faced by service members – particularly wounded warriors and their families – in transitioning from DoD to the VA. The recommendation to provide additional authority the Joint Executive Committee (JEC) is a step in the right direction.

The Association opposes recommendation 9 that attempts to consolidate the Commissary and Exchange systems. FRA believes that commissary, exchange and MWR programs contribute significantly to a strong national defense by sustaining morale and quality of life for military beneficiaries. FRA's on-line survey (completed in February/March 2014) indicates that 61 percent of active duty respondents and more than 63 percent of retirees rated Commissary/Exchange privileges as "very important" (the highest rating).

FRA supports recommendation 10 that urges Congress to re-establish the authority to use operating funds for expanding or modifying child development centers. DoD should standardize reporting and monitoring of child care wait times, and ensure proper staffing levels. FRA claims that access to affordable, quality child care must be a high priority for all the military services. Adequate and reliable child care helps reduce stress on a military family – especially when one of the parents is deployed.

FRA wants to have further review of recommendation 11. Streamlining education benefits is laudable but there should not be any reductions to these important earned benefits.

The Association supports recommendation 12 that wants to improve service member transition to civilian life. FRA believes that transition programs should be mandatory and relevant to for service members leaving the military. Congress should closely track these programs to help ensure success.

FRA supports recommendation 13 that pertains to financial assistance for junior enlisted service members for nutritional needs.

FRA supports recommendation 14 that expands service member dependents being approved for space available on military aircraft. FRA also supports expanding space-available travel for uniformed services retirees to include "gray area" reserve retirees and also allow surviving spouses to become eligible to use space-available travel.

FRA supports recommendation 15 that seeks to monitor active duty children academic performance, and identify support to help with academic achievement.

FRA is grateful for the opportunity to provide comments these recommendations to this distinguished committee.

Thomas J. Snee, M.Ed,
FORCM(SW), USN, (Ret)

Thomas J. (Tom) Snee is the Twelfth National Executive Director (NED) for the Fleet Reserve Association (FRA), in Alexandria, VA. In his scope of responsibility, he serves over 60,000 Shipmates and family members; is the managing officer of the National Headquarters with authority to endorse standing rules and regulations approved by its National Board of Directors. He also serves as the Chairman for Legislative Services.

Snee was born in Cleveland, Ohio and grew up in nearby Willoughby. He graduated from Willoughby South High School in June 1965 and enlisted in the United States Navy having attended Recruit Training (boot-camp) at Great Lakes, IL. He initially served as a Yeoman, but in 1973 changed his rating to Navy Counselor. Tom retired in September of 1996 as Force Master Chief, Navy Recruiting Command, in Arlington, VA. As a Master Chief Navy Counselor (Surface Warfare) he served in many leadership and managerial positions both on ships, staffs, and shore commands. He served as Director of Training and Education for Instructors, Career Development/Counseling and Recruiting developing curricular plans and procedures for students on afloat, shore, and staff development. He is a graduate of the Navy's Senior Enlisted Academy, (Class 009, KHAKI Group), Naval War College, Newport, RI.

Following his Navy retirement, Snee worked at the FRA Headquarters as Veterans Service Officer and Membership/Branch Development. After three years, Snee switched careers becoming a Middle School Teacher for the Arlington VA Catholic Schools. His educational leadership and management responsibilities were furthered facilitated as a Middle School Lead Teacher, for student, curriculum development, analytical/course assessments and development, high school placements, and school accreditation. Mr. Snee taught Social Studies (American History, Civics, Geography, and Economics) and Religion classes, in Falls Church, and Springfield, VA, spanning over a 13 year teaching career until his retirement in June 2013.

Mr. Snee holds a M.Ed in Educational Leadership from George Mason University, Fairfax VA; BS in Liberal Arts/Psychology, Excelsior College, Albany, NY; and AS in Liberal Arts, Mohegan Community College, Norwich, CT. Mr. Snee has been a mentor for the "Leadership in the New Generations Ethics for Middle School Students", at George Mason University; currently serves on the Board of Educators at Mt. Vernon and Gunston Hall Associations, (historical sites), Alexandria, VA; on the Board of Directors, for the United States Navy Memorial, Ex-Officio; and as "Ambassador" for Excelsior College, Albany, NY.

Mr. Snee's memberships include the Knights of Columbus, Surface Navy Association, Fleet Reserve Association, Boy Scouts of America and the National Eagle Scout Association (NESA). His recognitions have been with: Covington WHO's WHO; Strathmore WHO's WHO

Worldwide, Leadership/Achievement in Industry and Profession, 2013; WHO's WHO for: Executives- 2013; American Teachers- 2006; and Business Professionals-1997. Teacher of the Year, 2010-2011; Distinguish Alumni Hall of Fame, Willoughby-Eastlake Schools, Ohio.

Mr. Snee is married to the former Karen A. Habina of Willoughby, OH who works in Branch Operations, Navy Federal Credit Union, in Vienna, VA. The Snee's have four children; Janet M. Basselgia, teacher, Burke, VA; Denise J. McCready, teacher, Kittery, ME; Commander David T. Snee, U. S. Navy, OPNAV, N9I, Naval Integrated Fire Control – Counter Air Lead; and Timothy F. Snee, Manager FEDEX/KINKOs, Fairfax, VA. They also have five grandchildren and reside in Burke, VA.

Percent of Active-Duty Service Members Who Prefer the Current or Proposed Compensation System

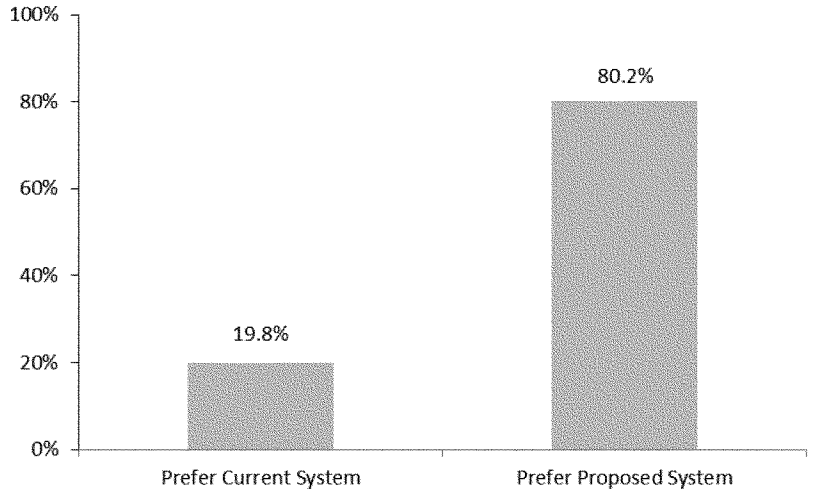


Chart 1

Pathway to Recommendations

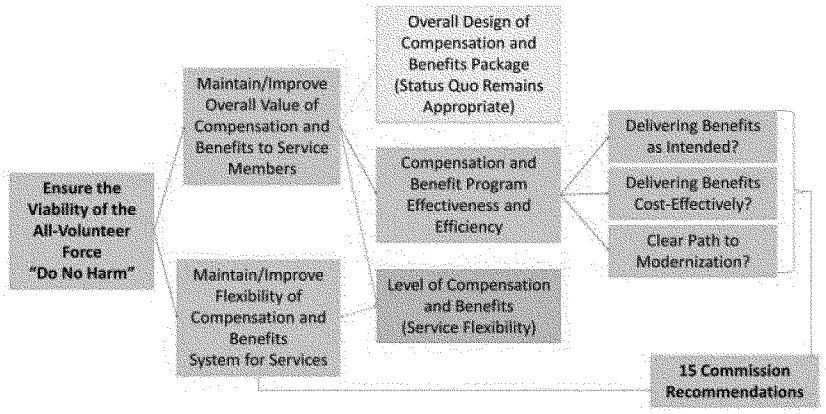


Chart 2

Retirement Assets of a Retiring Active-Duty E7, Current vs. Blended Retirement Plans

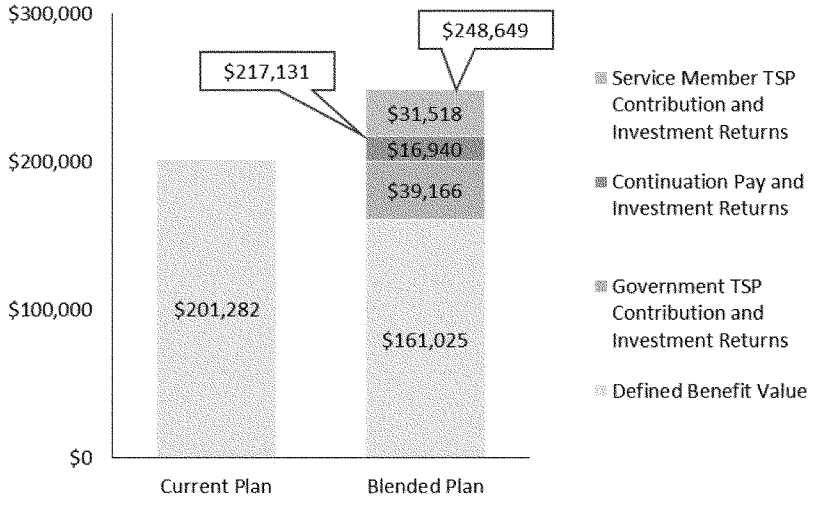


Chart 3

Value of Government TSP Contributions for an E5 Who Leaves After 8 Years of Service

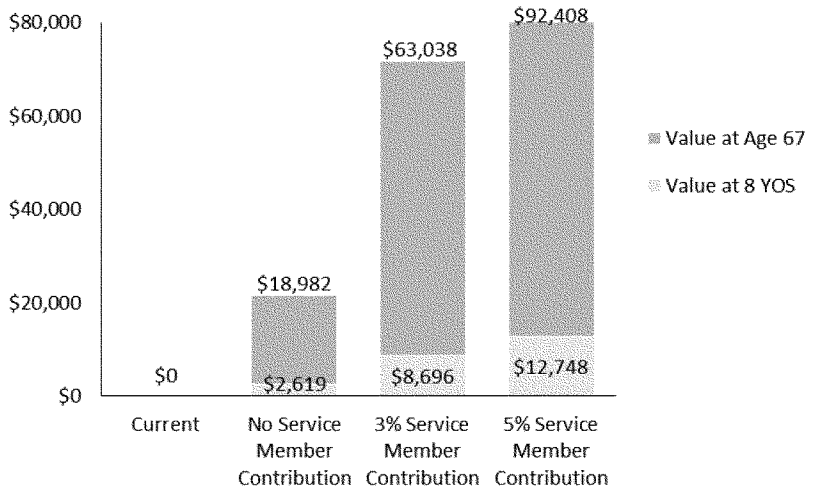


Chart 4

Comparison of Access to Care for DoD and Civilian Health Care Users, FY 2013

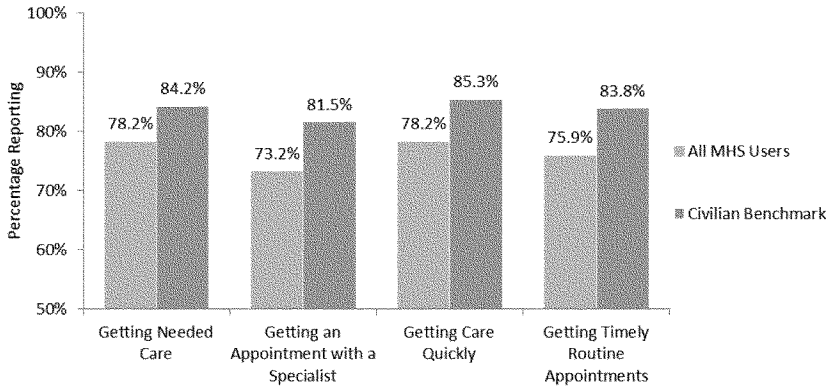
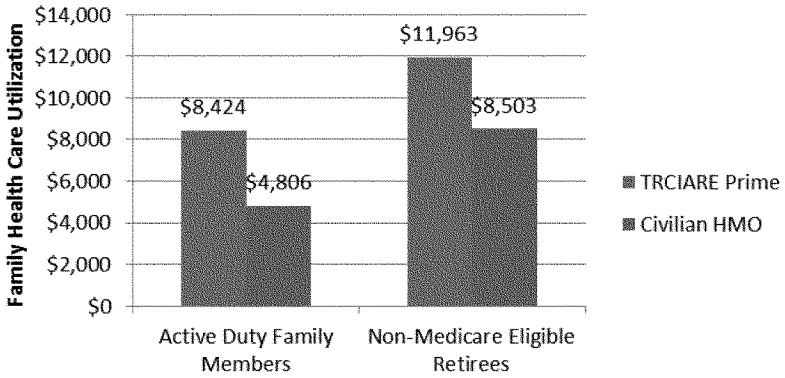


Chart 5

Health Care Utilization in TRICARE Prime versus Civilian HMO Counterparts



Source: Evaluation of the TRICARE Program: Access, Cost, and Quality, Fiscal Year 2014 Report to Congress.

Chart 6

Illustrative Calculation of Basic Allowance for Health Care

How BAHC is Computed (Annual Amount)

Total Current Year Premium of Median Plan Selected in Prior Year	$8,507
28% of Total Plan Premium Becomes BAHC Amount	$2,382
Average Copayment Amount Added to BAHC	$920
Total BAHC Amount (sum of premium and copayment amount)	$3,302

Chart 7

Gradual Ramp of Retiree Cost Shares (1 percent annually)

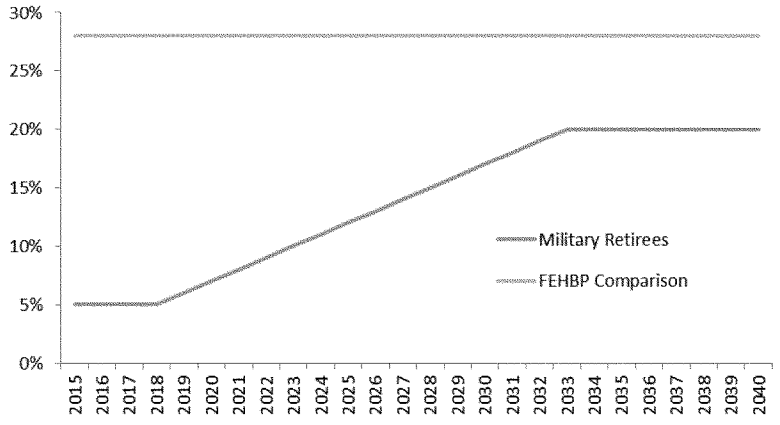


Chart 8

Top 10 Inpatient Procedures in Military Treatment Facilities, FY 2013

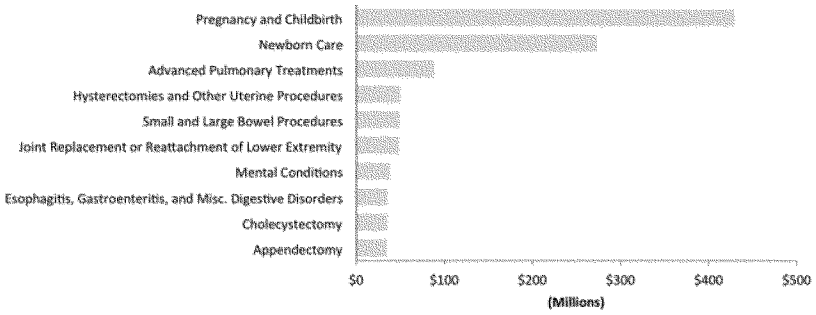


Chart 9

Components of Essential Medical Capabilities

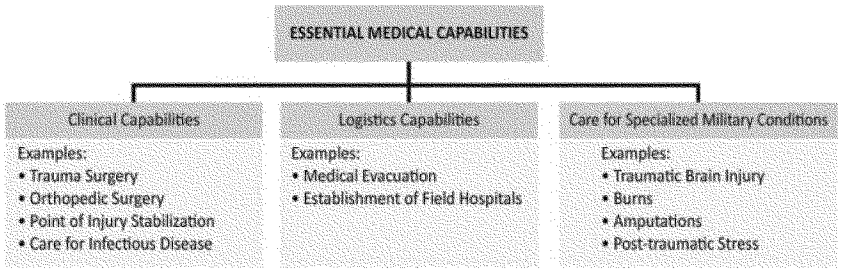


Chart 10

Retirement Assets of a Retiring Active-Duty O5, Current vs. Blended Retirement Plans

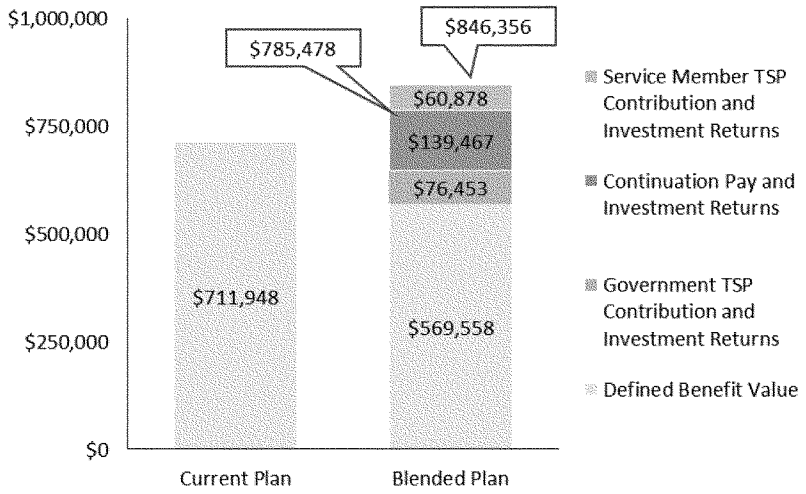


Chart 11

Funding Implications of Commission Recommendations

$ Millions	2016	2017	2018	2019	2020	2053	2054	2055
Implementation	348	218	111	120	89	-	-	-
DoD Budget	(4,789)	(4,895)	(7,113)	(7,367)	(7,608)	(8,677)	(8,677)	(8,677)
VA Budget	120	(2,126)	(4,667)	(4,478)	(4,542)	(4,757)	(4,757)	(4,757)
USDA Budget	-	1	1	1	1	1	1	1
Federal Outlays	961	(160)	(3,850)	(3,858)	(4,100)	(12,609)	(12,609)	(12,609)
Federal Outlays (Then-Year $)	961	(175)	(4,073)	(4,199)	(4,553)	(37,564)	(38,748)	(39,972)

Chart 12

Active-Duty Service Members' Importance Ratings: Health Care Experiences

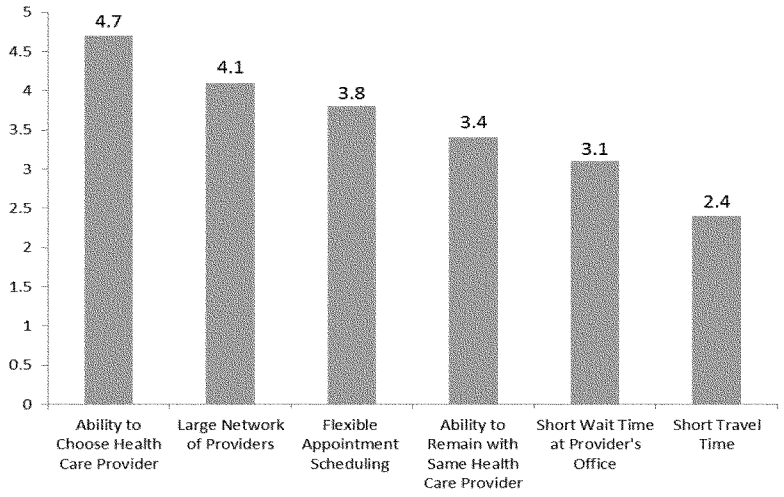


Chart 13

WITNESS RESPONSES TO QUESTIONS ASKED DURING THE HEARING

FEBRUARY 4, 2015

RESPONSE TO QUESTIONS SUBMITTED BY MS. SANCHEZ

Mr. MALDON. The Commission's recommendations do not ask taxpayers to pay more. The Commission's health care recommendations, taken in their entirety, save taxpayers more than $2.7 billion annually, in FY2016 dollars, once they have been fully implemented. These savings do not diminish quality of care, but actually improve it by offering greater choice and access for the beneficiaries. [See page 12.]

RESPONSE TO QUESTIONS SUBMITTED BY MR. FORBES

Mr. MALDON. Offering Service members who join after the new retirement system is implemented the option of selecting the current retirement system would be problematic in that it would create inequities and pragmatic issues. People who opted in to the old retirement system and then left service before retirement would lose, relative to their peers, because they would not have received any government-funded retirement savings. Those who opted for the old system and then stayed to retirement would have differing retirement values, and ultimately would be compensated differently for their service than their peers. New Service members could also select retirement systems based on the cultural difference of their respective Service, creating an inequitable system among Services. Offering this option also would create a long-term issue of different normal cost contributions into the Military Retirement Fund and might make retention analysis more difficult because retention models are based on a standardized retirement system. [See page 13.]

RESPONSE TO QUESTIONS SUBMITTED BY MR. O'ROURKE

Mr. MALDON. It is difficult to determine a specific dollar amount associated with this recommendation. The GAO Electronic Health Record report (February 2014) indicated there is no evidence of DOD/VA collective cost analysis of the abandoned iEHR compared to the separate VA (VistA evolution) and DOD (Commercial Acquisition) course of action currently in progress. A strategic uniform formulary would likely translate to increased costs for VA; however, the costs can be off-set by using joint contracting with DOD, prime vendor contracts, Federal Supply Schedule (FSS), and Federal Ceiling Price (FCP). Adding pharmaceuticals to the formulary does not require actually purchasing and having an inventory on hand. VA could use the Pharmaceutical Prime Vendor (PPV) contracting mechanism for real-time ordering and inventory. The Commission was unable to determine the costs of a strategic uniform formulary. This cost can only be determined when the formulary has been developed jointly by DOD and VA and all procurement options have been explored. For resource sharing in general, the VA and DOD do not have a centralized tracking mechanism for resource-sharing generated savings. It is difficult to estimate future savings without a baseline or agreement on a standardized way to measure savings. [See page 19.]

RESPONSES TO QUESTIONS SUBMITTED BY MR. TAKAI

Mr. MALDON. The Commission made four health care recommendations. Taxpayer outlays for the health care recommendations would be $0.3 billion for Recommendation 5 (joint readiness), −$3.2 billion for Recommendation 6 (health care), and $0.2 billion for Recommendation 7 (ECHO). Net funding changes for Recommendation 8 (DOD–VA collaboration) are dependent upon the initiatives that are pursued by the Departments and were not included in the Commission's cost estimates, although the Commission anticipates this recommendation would create a net reduction in federal outlays. The Commission's health care recommendations, taken in their entirety, save the taxpayers more than $2.7 billion annually, in FY2016 dollars, once they have been fully implemented. The effect on the defense budget of each recommendation is provided in the table below (values in parentheses indicate savings):

Constant FY 2016 $ Millions	2016	2017	2018	2019	2020	2053	2054	2055
HEALTH BENEFITS								
Recommendation 5: Health Care Readiness								
Implementation Costs								
High Costs	25	12	-	-	-	-	-	-
Baseline Costs	20	10	-	-	-	-	-	-
Low Costs	15	7	-	-	-	-	-	-
Programmatic Costs (Savings)								
High Costs (Low Savings)	25	375	726	726	726	726	726	726
Baseline Costs (Savings)	20	159	298	298	298	298	298	298
Low Costs (High Savings)	15	70	125	125	125	125	125	125
Recommendation 6: Health Care Benefit								
Implementation Costs								
High Costs	200	200	-	-	-	-	-	-
Baseline Costs	100	100	-	-	-	-	-	-
Low Costs	50	50	-	-	-	-	-	-
Programmatic Costs (Savings)								
High Costs (Low Savings)	(3,800)	(3,800)	(5,355)	(5,386)	(5,415)	(5,602)	(5,602)	(5,602)
Baseline Costs (Savings)	(3,900)	(3,900)	(6,173)	(6,234)	(6,292)	(6,666)	(6,666)	(6,666)
Low Costs (High Savings)	(3,950)	(3,950)	(6,895)	(6,977)	(7,054)	(7,551)	(7,551)	(7,551)
Recommendation 7: ECHO								
Implementation Costs								
High Costs	2	1	-	-	-	-	-	-
Baseline Costs	2	1	-	-	-	-	-	-
Low Costs	2	1	-	-	-	-	-	-
Programmatic Costs (Savings)								
High Costs (Low Savings)	59	115	228	228	228	228	228	228
Baseline Costs (Savings)	49	96	190	190	190	190	190	190
Low Costs (High Savings)	39	77	152	152	152	152	152	152
Recommendation 8: DoD-VA Collaboration								
Implementation Costs								
High Costs	-	-	-	-	-	-	-	-
Baseline Costs	-	-	-	-	-	-	-	-
Low Costs	-	-	-	-	-	-	-	-
Programmatic Costs (Savings)								
High Costs (Low Savings)	-	-	-	-	-	-	-	-
Baseline Costs (Savings)	-	-	-	-	-	-	-	-
Low Costs (High Savings)	-	-	-	-	-	-	-	-

For federal outlays (as opposed to budget authority), the costs (savings) are provided in the table below:

Constant FY 2016 $ Millions	2016	2017	2018	2019	2020	2053	2054	2055
HEALTH BENEFITS								
Recommendation 5: Health Care Readiness								
Implementation Costs								
High Costs	25	12	-	-	-	-	-	-
Baseline Costs	20	10	-	-	-	-	-	-
Low Costs	15	7	-	-	-	-	-	-
Programmatic Costs (Savings)								
High Costs (Low Savings)	25	375	726	726	726	726	726	726
Baseline Costs (Savings)	20	159	298	298	298	298	298	298
Low Costs (High Savings)	15	70	125	125	125	125	125	125
Recommendation 6: Health Care Benefit								
Implementation Costs								
High Costs	200	200	-	-	-	-	-	-
Baseline Costs	100	100	-	-	-	-	-	-
Low Costs	50	50	-	-	-	-	-	-
Programmatic Costs (Savings)								
High Costs (Low Savings)	200	200	(828)	(916)	(1,004)	(2,153)	(2,153)	(2,153)
Baseline Costs (Savings)	100	100	(1,242)	(1,374)	(1,507)	(3,229)	(3,229)	(3,229)
Low Costs (High Savings)	50	50	(1,656)	(1,832)	(2,009)	(4,306)	(4,306)	(4,306)
Recommendation 7: ECHO								
Implementation Costs								
High Costs	2	1	-	-	-	-	-	-
Baseline Costs	2	1	-	-	-	-	-	-
Low Costs	2	1	-	-	-	-	-	-
Programmatic Costs (Savings)								
High Costs (Low Savings)	59	115	228	228	228	228	228	228
Baseline Costs (Savings)	49	96	190	190	190	190	190	190
Low Costs (High Savings)	39	77	152	152	152	152	152	152
Recommendation 8: DoD-VA Collaboration								
Implementation Costs								
High Costs	-	-	-	-	-	-	-	-
Baseline Costs	-	-	-	-	-	-	-	-
Low Costs	-	-	-	-	-	-	-	-
Programmatic Costs (Savings)								
High Costs (Low Savings)	-	-	-	-	-	-	-	-
Baseline Costs (Savings)	-	-	-	-	-	-	-	-
Low Costs (High Savings)	-	-	-	-	-	-	-	-

[See page 22.]

RESPONSE TO QUESTIONS SUBMITTED BY MRS. McSALLY

Mr. MALDON. The Commission recognizes the value of feedback from Veterans' Service Organizations (VSOs), and engaged in extensive conversations with the Military and Veteran Service Organizations during the last 2 years. However, the Commission feels that the VSOs are in the best position to express their positions and thoughts on the recommendations. [See page 36.]

QUESTIONS SUBMITTED BY MEMBERS POST HEARING

FEBRUARY 4, 2015

QUESTIONS SUBMITTED BY MR. SHUSTER

Mr. SHUSTER. To what degree did your survey conclude that issues pertaining to health and benefits are a primary driver for people to leave the military?

Mr. MALDON. Although survey results clearly showed Service members view various aspects of health care benefits for their families as important, it is not possible from the data collected to measure Service member intentions to stay or leave military service. The Commission's survey measured the degree to which Service members prefer alternative features and levels of particular pay, retirement, health care, and other compensation benefits. For example, the survey showed strong preferences for an expanded health care benefit for family members, along the lines of the Commission's recommendations. Active Component (AC), Reserve Component (RC), and retirees all identified choice of health care provider as the highest valued attribute from a list of six health care attributes. Access to a large network of providers was the second most valued attribute for AC and RC members and third for retirees.

Mr. SHUSTER. Do you believe that this package of recommendations will slow the loss of top talent from the military?

Mr. MALDON. Yes, the Commission's recommendations enable the Services to maintain current force profiles as reflected in retention modeling by RAND. They also provide additional flexibility that enables the Services to adjust force profiles based on their respective personnel requirements. For example, the Commission recommends a new Continuation Pay at 12 years of service (YOS) that would provide additional mid-career retention incentives. The recommendations also would allow the Services to adjust YOS requirements to qualify for the defined benefit portion of the retirement plan, which in turn could allow the Services to retain members longer in key career fields and slow the loss of top talent from the military.

Mr. SHUSTER. You state that more than 150,000 current and retired Service members responded to the Commission's survey. What where the most common items of concern raised by survey respondents pertaining to the changes the commission is suggesting?

Mr. MALDON. The Commission's survey did not explicitly probe for areas of concern, but instead explored Service members' preferences for current and alternative features of various components of their compensation. For example, the survey asked about various levels of health insurance premiums and copayments compared to what Service members currently pay. It also asked about automatic enrollment in the Thrift Savings Plan and possible government matching contributions. The information gathered by the survey enabled the Commission to better understand the features of a compensation system that Service members would most prefer. Although the survey provided important insights into Service member preferences for various alternative features and levels of pay, retirement, health care, and other compensation benefits, it was only one of several sources of information the Commission relied on to inform its deliberations and decision making.

Mr. SHUSTER. Do you believe these changes will disproportionately affect any specific element of the Active Duty, Reserve, or retired force?

Mr. MALDON. The Commissions' retirement recommendation will have a positive effect on junior Service members and those who do not reach 20 years of service. These Service members will receive a benefit (retirement funds) for which they are ineligible under the current system. The Commission's recommendation also will have a positive effect on Active Component (AC) family members and members of the Reserve Component (RC) by offering them more choice, access, and value in their health care options without additional costs. Retirees also receive additional choice, access, and value in their health care, but the Commission recommends the premium cost share of retirees increase 1% per year over 15 years. Additionally, the Commission's recommendations will benefit AC and RC members, retirees, and their families by protecting access to and savings at commissaries and exchanges, improving access to DOD-sponsored child care, safeguarding education benefits, better preparing Service members for transition to civilian life, ensuring Service members' nutritional needs are met, expanding Space A travel, and tracking the effects of military life on children's school work. The Commission is confident that its rec-

ommendations maintain or improve the overall value of the current benefits package.

Mr. SHUSTER. You cite utilization management as a way to achieve some degree of cost savings. Do you foresee any negative effects on preventative health as a result of these anticipated lower utilization rates? How do you define "overutilization"?

Mr. MALDON. The Commission does not foresee a negative effect on preventative health as a result of any reduction in beneficiaries' utilization of health care services. Under the proposed TRICARE Choice model, the Commission anticipates health care plans would fully capitalize on available techniques for improved care management, which would in turn reduce over-utilization of health care and improve health outcomes. Over-utilization occurs when health care resources and procedures are used even when the care is not warranted on medical grounds, the care could produce greater harm than benefit, or the additional expense of a more costly service outweighs the added benefits the service was intended to provide. Currently, TRICARE beneficiaries use health care services at a substantially greater rate than civilian health insurance beneficiaries. Enrollees in TRICARE Prime used inpatient services 73 percent more than civilians with HMOs during FY 2013. Similarly, TRICARE Prime outpatient utilization rates were 55 percent higher than those for civilians. The design of the current TRICARE system does not allow for effective management of the rate at which users consume health care because it has limited use of monetary and nonmonetary incentives to influence beneficiaries' behavior and promote better health outcomes. The relatively low out-of-pocket expenses—deductibles, copayments, and coinsurance—experienced by TRICARE beneficiaries compared to their civilian counterparts encourage over-utilization in the TRICARE system. TRICARE does not employ nonmonetary tools available in the private sector, such as identifying high-risk patients, managing complex cases, keeping chronic diseases under control, and promoting wellness and preventative services. These tools lower utilization by reducing avoidable emergency room and urgent care visits, addressing health care needs before a hospital admission becomes necessary, shortening inpatient stays, and avoiding readmission. Additionally, many argue that nonmonetary techniques also lead to better health care outcomes. Under the proposed TRICARE Choice model, the Commission anticipates health care plans would use the complete range of both monetary and nonmonetary techniques to affect beneficiary behavior and improve health care outcomes through disease management, wellness, and better coordination of care.

Mr. SHUSTER. The many different Reserve statuses were formed over time to differentiate between changing authorities and funding requirements. Would the reduced number of statuses restrict any State or Federal authorities? Further, did the services express any concerns with their ability to implement these changes such as significant changes to information technology infrastructure?

Mr. MALDON. The reduced number of statuses would not restrict any state or federal authorities. Before making its recommendation, the Commission consulted extensively with leadership of the Reserve Component, human resource specialists in the different Services, and reserve members who would be affected by the change. The Commission received consistent support for its proposed changes, especially since consolidating statuses would improve the consistency of Service members' benefits. The proposed system would also alleviate RC member mobilization difficulties. While there may be some associated information technology and training costs, the Commission believes that they are worthwhile given the advantages of streamlining RC statuses.

Mr. SHUSTER. Medical billing and insurance oversight are not current core competencies of our military medical providers. In your opinion, what actions must the services first take before they would be able to implement the types of changes you've provided in medical care? Information technologies, training programs, personnel increases, etc.?

Mr. MALDON. In the civilian sector, medical providers do not typically handle medical billing or insurance. These functions are usually handled by administrative or support services. There are companies that provide billing services to major health systems in the United States today. The companies also provide training for coding, billing procedures, collections, and related processes. The Military Health System (MHS) could use such a professional service. Alternatively, the MHS could expand its current third-party billing activities to handle the medical billing. If this approach were taken, the MHS would need to ensure that existing administrative personnel were trained to perform such duties and that efforts currently underway to modernize MHS information technology (IT) would support this task. In 2014, DOD awarded a contract to General Dynamics to build the Armed Forces Billing and Collection Utilization Solution (ABACUS) to generate medical claims, pharmacy claims, invoices, and governmental billing forms at 136 military medical treatment

facilities globally. ABACUS will replace legacy IT systems and automate, consolidate, and centralize the Army, Navy, and Air Force's separate health billing and collection IT systems. Regardless of which approach to billing is chosen, adequate time will be required to set in place coding, billing, collections, and related systems, which is, in part, why the Commission's proposed legislation includes a 2-year implementation period before moving beneficiaries into the new system.

Mr. SHUSTER. I recently received a constituent complaint regarding the inconsistency in care the member has experienced while transitioning from active service to the care of the VA. If the committee's recommendations were accepted, how long do you think it would take to reach the level of collaboration and standardization required to prevent these types of issues?

Mr. MALDON. The transition from DOD health care to VA health care presents challenges on many fronts. The DOD–VA Joint Executive Committee (JEC) already exists to coordinate efforts between the two agencies. The Commission recommended the JEC be granted additional authorities and responsibilities to standardize and enforce collaboration. The JEC should develop a strategic plan for DOD–VA collaboration and require certification for common services and planned expenditures. Creating a stronger JEC requires on-going implementation and may take 2 to 3 years.

The Commission recommended the JEC be given authority to create a process by which a strategic uniform formulary is developed to include all drugs determined by the JEC to be critical for transition from the DOD health care system to the VA system. It is important that the JEC begin immediately with aligning DOD and VA drug formularies for the pain and psychiatric classes of drugs. The Commission views the uniform strategic formulary as a relatively easy means to implement improvement, and believes it could be accomplished within 6 months.

The Commission also found that a single electronic health record (EHR) system is the ideal solution for improving Service member health care and minimizing overall EHR costs. To that end the Commission recommended the JEC require VA to establish health care records for all current military members. The legislative language proposed by the Commission indicates this record should be created within 180 days of enactment of the recommendation. The Commission also recommended that the JEC require EHR compliance with national Health Information Technology standards for both DOD and VA. The standardization of data transfer between DOD and VA EHRs is likely to take longer to implement.

An electronic health care record compliant with national data standards, a uniform formulary, and healthcare resource sharing between DOD and VA are critical to an initial framework, but are not a final solution in delivering seamless health care.

QUESTIONS SUBMITTED BY MR. ZINKE

Mr. ZINKE. Under the fifth recommendation, it states "Congress should establish a four-star command to oversee all joint readiness, especially medical readiness." How does the establishment of another four-star command decrease the bureaucracy and lower the cost to DOD?

Mr. BUYER. The establishment of a four-star Joint Readiness Command (JRC) to oversee joint readiness, especially medical readiness, is intended to fill a critical gap, rather than increase bureaucracy. Currently, joint medical requirements generation and service medical requirements validation; joint and service medical readiness monitoring and reporting; and joint medical sourcing and standardization do not fall under any DOD entity's responsibility. This situation presents a critical gap in operational medicine. In addition to filling the gap, the concept of Essential Medical Capabilities (EMCs) warrants a four-star champion who can elevate joint medical readiness and training to the level of readiness and training of the line components. The cost estimate of standing up a four-star command presented by the Commission is conservative, in that it assumes no use of already designated funds. Some of the functions and personnel resources of the disestablished Joint Forces Command exist in J7, J7-Suffolk, J4, and TRANSCOM and, along with combat service support functions from the Defense Health Agency, could be reorganized into the proposed JRC, thus reducing costs.

Mr. ZINKE. If these recommendations were to be adopted with no changes, would any existing member (active or retiree) be forced to change anything in their plans in the immediate? In other words, if a member and their family are completely satisfied with their current coverage, retirement and/or compensation package would they be allowed to keep everything the same or would they be forced to make any changes in the immediate?

Mr. BUYER. The retirement pay of those who are currently serving and those who have already retired will not be affected by the Commission's recommendations; as required by NDAA FY 2013 it is "grandfathered." Individuals serving at the time the recommendations are enacted will have the option to switch to the new retirement plan if they prefer. Similarly, the Commission's Survivor Benefit Plan (SBP) recommendation would give members an additional SBP option, but would also offer the opportunity to choose the present plan. The Commission's health care recommendations will require Service member's families, Reserve Component members, and non-Medicare-eligible retirees to decide on a health insurance plan offered in TRICARE Choice. Health care for active-duty Service members and Medicare-eligible retirees will not change, nor will pharmacy benefits change for any beneficiaries. The proposal for nutrition assistance will sunset the FSSA program (which only enrolled 285 Service members in 2013) in the United States and other territories. The Commission expects and encourages eligible beneficiaries in the United States to apply to the Supplemental Nutrition Assistance Program (SNAP), which is typically more generous. The Commission's recommendations would also sunset the housing stipend for dependents using transferred post-9/11 GI Bill benefits starting in 2017. The Commission's recommendations for joint readiness, DOD–VA collaboration, commissaries and exchanges, family members with special needs, Reserve Component statuses, financial literacy, transition assistance, the military student identifier, space available travel, and child care maintain or improve Service member benefits while reforming the programs to make them more effective and efficient.

○