

STATEMENT OF

MILITARY OFFICERS ASSOCIATION OF AMERICA
AIR FORCE ASSOCIATION
AIR FORCE WOMEN OFFICERS ASSOCIATED
ASSOCIATION OF MILITARY SURGEONS OF THE UNITED STATES
ASSOCIATION OF THE US ARMY
COMMISSIONED OFFICERS ASSOCIATION OF THE US PUBLIC HEALTH SERVICE,
INC.
CHIEF WARRANT & WARRANT OFFICERS ASSOCIATION OF THE US COAST GUARD
ENLISTED ASSOCIATION OF THE NATIONAL GUARD OF THE UNITED STATES
IRAQ & AFGHANISTAN VETERANS OF AMERICA
NATIONAL GUARD ASSOCIATION OF THE UNITED STATES
SOCIETY OF MEDICAL CONSULTANTS TO THE ARMED FORCES
US ARMY WARRANT OFFICERS ASSOCIATION
US COAST GUARD CHIEF PETTY OFFICERS ASSOCIATION

Before the

HOUSE ARMED SERVICES
SUBCOMMITTEE ON MILITARY PERSONNEL

March 16, 2011

MR. CHAIRMAN AND DISTINGUISHED MEMBERS OF THE SUBCOMMITTEE. This statement reflects the collective views of the organizations listed below concerning the Defense Department's TRICARE fee proposals in the FY2012 budget.

- Military Officers Association of America
- Air Force Association
- Air Force Women Officers Associated
- Association of Military Surgeons of the United States
- Association of the US Army
- Commissioned Officers Association of the U.S. Public Health Service, Inc.
- Chief Warrant & Warrant Officers Association of the US Coast Guard
- Enlisted Association of the National Guard of the United States
- Iraq & Afghanistan Veterans of America
- National Guard Association of the United States
- Society of Medical Consultants to the Armed Forces
- US Army Warrant Officers Association
- US Coast Guard Chief Petty Officers Association

The signatory organizations do not receive any grants or contracts from the federal government.

The signatory organizations appreciate the Subcommittee's consistent support in recent years to protect beneficiaries from disproportional health care fee increases.

The signatory organizations have not taken the position that TRICARE fees should never rise. If retired pay doubles or triples due to cost-of-living adjustments over a lifetime, we believe it would be unrealistic to expect that fees would not rise by even \$1.

However, we assert that the statute should provide reasonable guidelines for setting and adjusting TRICARE fees.

Statutory formulas govern nearly all other major military compensation elements. In this regard, there are formulas for setting and adjusting military retired pay, pay raises, survivor benefits, and more.

But current law leaves much of the TRICARE fee-setting-and-adjustment process to the discretion of the Secretary of Defense. For many years, no secretary proposed any increase in TRICARE fees, leading beneficiaries to believe there would be no increases. In 2007 and 2008, beneficiaries were shocked when a new secretary proposed tripling or quadrupling fees.

In a very real sense, the military health care package symbolizes the mutual commitment between career military families and the government they serve.

The government puts no cap on the sacrifices it demands of servicemembers and their families. In contrast, current law leaves their crucial career healthcare package subject to dramatic swings with year-to-year leadership and/or budget changes.

The signatory organizations are encouraged that the administration's FY 2012 budget proposal avoids the draconian fee changes proposed in past years and more appropriately acknowledges career military families' pre-payment of very large premiums of service and sacrifice over the course of a 20-30-year career in uniform.

We particularly appreciate the proposed elimination of co-pays for the mail-order pharmacy system and the exemption of survivors and military disability retirees from the TRICARE Prime fee increases.

But we object strongly to the Department's proposed linkage of future TRICARE Prime fee adjustments for non-disabled beneficiaries under age 65 to an as-yet-unspecified measure of health cost growth for the broader population that DoD actuaries assume would grow at an average of 6.2% per year.

The attached chart shows the dramatic adverse compounding effect this index would exert on the Prime enrollment fee over time versus the proposal by the signatory organizations to cap annual increases at no more than the retired pay COLA percentage (which the DoD Actuary projects at 3% per year for purposes of managing the military retirement trust fund).

The signatory associations believe opportunities for far greater cost savings are missed by continuing shortfalls in Defense Department efforts to pursue:

- More effective promotion of the mail-order pharmacy
- Consolidation of redundant/competing service and contractor systems
- More effective management of chronic conditions and use of technology
- More efficient and effective contracting and acquisition systems

To restore important career benefit stability and limit future adverse retention consequences, the signatory associations believe Congress should establish in law the following principles:

- ***The military retirement and healthcare package is the primary offset for the many unique and extraordinary demands and sacrifices inherent in a military career.***
- ***Those decades of service and sacrifice constitute a very large, pre-paid premium for career military members' and families' healthcare coverage in retirement, over and above the fees they pay in cash. This large, up-front and in-kind premium must be acknowledged in statute to explicitly reject inappropriate, "apple-to-orange" comparisons focused on cash fees paid by military beneficiaries vs. civilians.***
- ***The way to incorporate this inherently unquantifiable military-unique premium of service and sacrifice in the fee adjustment process is to limit the percentage increase in TRICARE fees in any year to the percentage increase in military retired pay.***

Monetary Impact of DoD-Proposed Fee Adjustment Methodology

Year	Cap at Retired Pay COLA* Percentage	DoD Proposal (tied to HC inflation)**	Difference (loss of purchasing power)	Year	Cap at Retired Pay COLA* Percentage	DoD Proposal (tied to HC inflation)**	Difference (loss of purchasing power)
2011	\$460	\$460	\$0	2029	\$859	\$1,446	\$586
2012	\$520	\$520	\$0	2030	\$885	\$1,535	\$650
2013	\$536	\$552	\$17	2031	\$912	\$1,631	\$719
2014	\$552	\$586	\$35	2032	\$939	\$1,732	\$793
2015	\$568	\$623	\$55	2033	\$967	\$1,839	\$872
2016	\$585	\$661	\$76	2034	\$996	\$1,953	\$957
2017	\$603	\$702	\$100	2035	\$1,026	\$2,074	\$1,048
2018	\$621	\$746	\$125	2036	\$1,057	\$2,203	\$1,146
2019	\$640	\$792	\$153	2037	\$1,089	\$2,339	\$1,251
2020	\$659	\$841	\$183	2038	\$1,121	\$2,485	\$1,363
2021	\$678	\$894	\$215	2039	\$1,155	\$2,639	\$1,483
2022	\$699	\$949	\$250	2040	\$1,190	\$2,802	\$1,612
2023	\$720	\$1,008	\$288	2041	\$1,225	\$2,976	\$1,750
2024	\$741	\$1,070	\$329	2042	\$1,262	\$3,160	\$1,898
2025	\$764	\$1,137	\$373	2043	\$1,300	\$3,356	\$2,056
2026	\$787	\$1,207	\$421	2044	\$1,339	\$3,564	\$2,225
2027	\$810	\$1,282	\$472	2045	\$1,379	\$3,785	\$2,406
2028	\$834	\$1,361	\$527	2046	\$1,421	\$4,020	\$2,600

* Uses DoD actuaries' 3% long-term COLA assumption for military retirement trust fund

**DoD proposal assumes a 6.2% annual cost inflation factor