



Statement of the Fleet Reserve Association  
to the  
Subcommittee on Personnel  
Committee on Armed Services  
United States Senate

By

Edgar M. Zerr  
National President  
Fleet Reserve Association

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National President, FRA

Delegates to FRA's 78th National Convention in Reno, Nevada, unanimously elected Edgar M. "Big Ed" Zerr to serve as the Association's National President for 2005-2006. As the association's chief executive officer, Zerr presides at meetings of FRA's National Board of Directors and the 2006 National Convention. Additionally, Zerr represents FRA before state, federal and local governmental agencies and at various public ceremonies and events. Among his many priorities, Zerr is committed to expanding FRA's National Board of Directors' and Regional Vice Presidents' interaction with members of Congress through a series of personal Capitol Hill meetings later this year. He also seeks to raise awareness and support for the Ladies Auxiliary of the Fleet Reserve Association (LA FRA).

Zerr is a Life Member of the FRA and has been a continuous member for over 39 years. He has served at the branch level as a member of the board of directors, secretary, vice president and president, and has also held positions as member, chairman or advisor of several branch committees.

Zerr has also served as FRA's Regional Vice President Southwest (1986-1987), Regional President Southwest (1987-1988), and been a member or chairman of numerous regional and national committees, including terms as vice chairman of the national Americanism-Patriotism and Employee Pension Committees.

Zerr joined the Navy in January of 1957, served a full military career, and retired as a Chief Yeoman in 1977. During his naval career, he served aboard USS *Chemung* (AO-30), USS *Hull* (D-945), and at a variety of shore stations across the country.

National President Zerr lives with his wife Evelyn in Sparta, Missouri.

**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**

Mister Chairman and distinguished members of the Subcommittee, thank you for the opportunity to present the Fleet Reserve Association's views on the FY2007 Defense Health System budget.

The Fleet Reserve Association (FRA) is a Congressionally Chartered, non-profit organization, representing the interests of U.S. Navy, Marine Corps, and Coast Guard personnel with regard to pay, health care, benefits, and other quality of life programs.

The FRA is the oldest and largest association representing enlisted members of the Sea Services whether on active duty, in the Reserves, retired or veterans. In addition to its extensive legislative program, the Association sponsors annual scholarship and patriotic essay competitions, and recognition programs honoring the Navy Sailors and Recruiters of the Year, the Marine Corps Recruiters and Drill Instructors of the Year, and the Coast Guard Enlisted Persons and Recruiters of the Year

FRA is most appreciative of the Subcommittee's exceptional efforts over several years to honor the government's health care commitments to all uniformed services beneficiaries. These enhancements represent great advancements that have significantly improved access to health care. The FRA particularly appreciates the Subcommittee's outstanding measures to address the needs of Standard beneficiaries as well as provide increased access for members of the Reserve components.

While much has been accomplished, the Association is equally concerned about making sure the enhancements are implemented and the desired positive effects actually achieved. FRA also believes some additional initiatives are essential to providing equitable and consistent health care for all categories of TRICARE beneficiaries, regardless of age or geography. The FRA looks forward to continuing our cooperative efforts with the members of the Subcommittee and staff in pursuit of this common objective.

FRA is a founding member and active participant in the Military Coalition (TMC) and fully endorses the TMC health care testimony which has been submitted to this Subcommittee.

### **ADEQUATELY FUNDING THE DEFENSE HEALTH PROGRAM**

Once again, a top FRA priority is to work with Congress and DoD to ensure full funding of the Defense Health Program to meet readiness needs – including full funding of both direct care and purchased care sectors, providing access to the military health care system for all uniformed services beneficiaries, regardless of age, status or location, and Graduate Medical Education (GME). A fully funded health care benefit is critical to readiness and the retention of qualified uniformed services personnel.

The Department of Defense, Congress and FRA all have reason to be concerned about the rising cost of military health care. But it is important to recognize that the problem is a national one, not military-specific. It's also important, in these times of focusing on deficits, to keep in per-

spective the government's unique responsibility to provide health care and other benefits for a military force that serves and has served under extraordinarily arduous conditions to protect and preserve our freedoms and security. Military service is also much different than work in the corporate world.

***The FRA strongly recommends the Subcommittee continue to ensure full funding of the Defense Health Program.***

## **FRA OPPOSES THE TRICARE FEE INCREASES**

The Department of Defense is proposing a significant increase in fees paid by retired uniformed services beneficiaries, including doubling or tripling enrollment fees for TRICARE Prime, and tripling or quadrupling fees for TRICARE Standard, along with higher prescription co-pays. FRA believes this plan would result in a drastic increase in retiree costs, especially during a war and particularly since there have been no enrollment fee hikes since TRICARE was established in 1995. Providing and funding health care benefits for all beneficiaries is part of the cost of defending our Nation.

FRA also strongly opposes the plan to impose a \$250 enrollment fee for veterans in Priority Groups 7 and 8 within the Department of Veterans Affairs (DVA) Health Care System in FY 2007. The Administration's request also includes a recommendation to nearly double prescription drug co-payments from \$8 to \$15, for a 30-day supply – a plan FRA also opposes.

According to DVA estimates, 200,000 veterans would be discouraged from seeking VA health care, and more than a million veterans currently enrolled in Priority Groups 7 and 8 would drop out of the system if this fee structure were implemented. Beneficiaries in these Priority Groups are veterans, and FRA adamantly opposes shifting costs to them for care they've earned in service to our Nation.

## **OTHER FUNDING OPTIONS**

FRA believes that the Defense Department has not sufficiently investigated other options to make TRICARE more cost-efficient as alternatives to shifting costs to young retirees.

A detailed list of alternatives to reducing cost is included in the TMC statement and FRA draws attention to the following:

- Promote making TRICARE a true second-payer to other health insurance. FRA questions DoD's assumptions about driving some 150,000 retirees with other health care coverage away from TRICARE, and believes there are other ways to achieve this goal to achieve significant budget savings.
- Negotiate with drug manufacturers for retail pharmacy discounts, or change the law to mandate federal pricing for the retail pharmacy network. FRA believes this change could result in significant savings to the Defense Health System.

- Reduce/eliminate all mail-order co-pays to boost use of this lowest cost option for beneficiaries to receive prescription medications. The elimination of all co-pays will help drive many more beneficiaries to this pharmacy benefit option.
- Accelerate DoD/DVA cost sharing initiatives to ensure full implementation of seamless transition, including electronic medical records and one stop military discharge physicals.

There is confusion about the interpretation of the mandatory funding aspect of TRICARE for Life and the costs included in the DoD budget which for FY2006 totals \$38 billion. OMB requires that TRICARE for Life trust fund allocation be included in the DoD budget, instead of the Treasury Department, which significantly increases the total DoD budget.

The proposed future fee adjustments which are pegged to health care inflation will also significantly erode the value of retired pay, particularly for enlisted retirees who retired prior to larger and targeted recent pay adjustments enacted to close the pay gap. Military service is very different from work in the corporate world and requires service in often life threatening duty commitments and the associated benefits offered in return must be commensurate with these realities.

***FRA urges DoD to identify other ways to achieve budget savings without shifting costs to younger retirees and to implement policy/legislative changes to make TRICARE a second payer to other health insurance.***

## **TROOP MORALE**

The proposed health care fee increases are a morale issue within the senior enlisted active duty communities who view this as reducing the value of their future retiree benefits. They are aware of the government's failures to honor past commitments and sensitive to threats to their retiree benefits.

Eroding benefits for career service can only undermine long-term retention/readiness. Today's sailors, Marines, and Coast Guardsmen are very conscious of Congress' actions toward those who preceded them in service. Strong support for the enactment of TRICARE for Life was based in part on the fact that inadequate retiree health care was affecting attitudes and career decisions among active duty troops. And today, despite the significant progress in restoring retiree benefits arguing that funding for retiree health care and other promised benefits negatively impacts military readiness is fueling resentment and anger in retiree communities and raising concerns within the senior career enlisted force about their future benefits.

### **Health Care Survey Responses**

There is a strong negative reaction to the proposed fee increases within the Senior Enlisted and retiree communities and to gauge our member's reaction to the plan, FRA launched a web survey on 2 March 2006. To date 539 have responded.

One active duty survey respondent reflects these sentiments: “I am third generation Navy, and after 30 years of service, I am extremely concerned about the erosion of medical, as well as other benefits. I have a very unique historical view of how much benefits that were believed to be everlasting for both active and retired service members have been decreased or terminated. The medical coverage was fundamental for my continued service after my initial enlistment. This once again is simply a break in the faith. This philosophy needs to be suspended and the faith reaffirmed for past present and future military generations.”

A retiree stated: “My spouse and I have relied on the Navy and the Military Health Care System to provide us with all our medical needs. We expect that health care to continue without monetary increase, throughout our remaining years. We both provided our country with a valuable service in the defense posture of this country. We stood ready at the call without complaint. We now expect the high quality of care that we were led to believe would be available at no cost throughout our remaining years if we used the Military Health Care System and facilities. I do not expect to absorb increasing cost for health care, when my retired pay does not increase with the cost of health care increases.”

On the question of the importance of health care benefits on respondents’ decisions to remain in the military, 86% indicated that health care influenced their decision to remain in the military as of 9 March 2006.

## **TRICARE STANDARD ISSUES**

The TRICARE Standard option is long recognized as the entry to the DoD health care benefit per the earlier CHAMPUS Program. Provisions of the FY 2006 NDAA address the needs of the 3.2 million TRICARE Standard beneficiaries, many of whom find it difficult or impossible to find a Standard provider. The FRA is firmly committed to working with Congress, DoD and the Manage Care Support Contractors (MCSCs) to facilitate prompt implementation of these provisions. DoD will be required to track provider participation (including willingness to accept new patients), appoint a specific official responsible for ensuring participation is sufficient to meet beneficiary needs, recommend other actions needed to ensure the viability of the Standard program, develop an outreach program to help beneficiaries find Standard providers, educate them about the benefit, and provide problem resolution services for those experiencing access problems or other difficulties.

FRA believes one reason for provider non-participation is the lack of current information, or previous bad experience with TRICARE in areas that have subsequently seen substantial improvement. DoD is currently developing an annual newsletter for TRICARE Standard beneficiaries and FRA recommends the development of a similar newsletter to providers who have submitted claims to enhance provider education.

Physicians consistently report that TRICARE is virtually the lowest paying insurance plan in the country. While TRICARE rates are tied to Medicare rates, the MCSCs make a concerted effort to persuade providers to participate in TRICARE Prime networks at a further discounted rate. Since this is the only information providers receive about TRICARE, they see TRICARE as even

lower paying than Medicare. Congress has acted to avoid Medicare physician reimbursement cuts for the last three years, but the failure to provide a payment increase for 2006 is another step in the wrong direction. The underlying reimbursement determination formula requires a legislative fix.

***The FRA urges the Subcommittee's continued oversight to ensure DoD is held accountable to promptly meet requirements for beneficiary education and support, and particularly for education and recruitment of sufficient providers to solve access problems, and to exert what influence it can to persuade the Ways and Means/Finance Committees to reform Medicare/TRICARE statutory payment formula.***

## PHARMACY ISSUES

The current TRICARE Pharmacy co-pays are, Military Treatment Facility (MTF), no cost to any beneficiaries, TRICARE Mail-Order Pharmacy (TMOP), generic \$3, brand name \$9 and non-formulary \$22 (up to a 90-day supply), and TRICARE Retail Pharmacy (TRRx), generic \$3, brand name \$9 and non-formulary \$22 (up to a 30-day supply).

As noted above, FRA vigorously opposes increasing retiree cost shares that were only recently established. The restoration of retiree pharmacy benefits helped restore active duty and retired members' faith that their government's promises of health care for life would be honored.

The FRA very much appreciated the efforts of the Subcommittee to protect beneficiary interests by establishing a statutory requirement for a Beneficiary Advisory panel (BAP). A member of FRA's National Headquarters Staff (Bob Washington) serves on the panel which provides an opportunity for beneficiary representatives to voice concerns about any medications DoD proposes moving to the third tier (\$22 co-pay). The Association was further reassured when, during implementation planning, Defense officials advised the BAP that they did not plan on moving many medications to the third tier.

Unfortunately, this has not been the case. To date, DoD has moved 28 medications to the third tier, with an additional 13 pending approval. While the BAP did not object to most of these, the BAP input has been universally ignored with regard to a small number of cases when it recommended against a proposed reclassification. In at least one instance, the medications moved to the third tier affected 98% of the beneficiaries with prescriptions in that particular class of drug. The FRA is also concerned that the BAP has been denied access to information on relative costs of the drugs proposed for reclassification and the Defense Department has established no mechanism to provide feedback to the BAP on rationale for ignoring its recommendations.

FRA believes the Subcommittee envisioned that the BAP input would be given more serious consideration in the Department Uniform Formulary decision process, but that has not happened.

***The FRA urges the Subcommittee to continue to reject imposition of cost shares in military pharmacies and oppose increasing other pharmacy cost shares that were recently established.***

## RESERVE HEALTH CARE BENEFITS

The extension of the TRICARE Reserve Select (TRS) coverage to all member of the Selected Reserve in the 2006 National Defense Authorization Act is very important particularly because DoD must rely more heavily upon the Guard and Reserve personnel to prosecute the war and sustain other operational commitments. Deployments are also becoming longer and more frequent and these personnel are indispensable to our armed forces and their benefits should reflect this.

FRA has concerns regarding the manner by which TRS premiums are set. Currently, the Defense Department adjusts TRS premiums based on annual adjustments to the basic FEHBP insurance option. The Association believes the Department has a higher obligation to restrain health cost increases for currently serving military members who are being asked to leave their families and lay their lives on the line for their country, and that their health premiums should be pegged to the level of the Consumer Price Index (CPI).

We believe Congress is missing an opportunity to reduce its health care costs (for retired members as well as for Selected Reservists) by failing to authorize eligible members the option of electing a partial subsidy of their civilian insurance premiums in lieu of TRICARE coverage. Many members would be motivated to elect this option, especially if their family's current health care provider is reluctant to participate in TRICARE. Rather than having to find a new provider who will accept TRICARE, many beneficiaries may prefer a partial subsidy (at lower cost to DoD) to preserve the convenience and continuity of their family's health care.

***FRA recommends development of a cost-effective option for DoD to subsidize premiums for member's private insurance as an alternative to TRICARE Reserve Select coverage, to ensure consistency of benefits and continuity of care for Guard and Reserve members and their families in an environment of lengthy and frequent deployments.***

## CONCLUSION

As previously noted, FRA strongly supports the more extensive TMC Statement and urges the Distinguished Subcommittee's attention therein to consistent benefit access, mental health, and DoD/DVA transition which is especially important to injured service personnel returning from Iraq and Afghanistan.

The Association reiterates its profound gratitude for the extraordinary progress this Subcommittee has made in advancing a wide range of health care initiatives for all uniformed services personnel and their families and survivors. The FRA is eager to work with the Subcommittee to further improve military health care for all beneficiaries. Thank you again for the opportunity to present the FRA' views on these critically important topics.