



Statement of
The Fleet Reserve Association
on
Military Personnel Policy, Benefits, and Compensation

Presented to:
Senate Armed Services Committee
Subcommittee on Personnel

By

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THE FRA

The Fleet Reserve Association (FRA) is a leading advocate on Capitol Hill for enlisted active duty, Reserve, 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 is derived from the Navy's 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 Secretary of the Navy.

FRA's mission is to act as the premier "watch dog" organization in maintaining and improving the quality of life for Sea Service personnel and their families. The Association also sponsors a National Americanism Essay Program and other recognition and relief programs. In addition, the newly established FRA Education Foundation oversees the Association's scholarship program that presented awards totaling nearly \$120,000 to deserving students last 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.

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.

OVERVIEW

The Fleet Reserve Association (FRA) is an active participant and leading organization in the Military Coalition (TMC) and strongly supports the extensive recommendations addressed in the TMC testimony prepared for this hearing. The intent of this statement is to address issues of particular importance to FRA's membership and the Sea Services enlisted communities.

INTRODUCTION

Mr. Chairman, the FRA salutes you, members of the Subcommittee, 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 Subcommittee's work has greatly enhanced care and support for our wounded warriors, improved military pay, eliminated out-of-pocket housing expenses, improved health care, and enhanced other personnel, retirement and survivor programs. This support is critical in maintaining readiness and is invaluable to our Armed Forces engaged throughout the world fighting the global War on Terror, supporting the NATO effort in Libya, assisting Japan with recovery efforts, sustaining other operational requirements and fulfilling commitments to those who've served in the past.

A huge budget deficit, the reduction of troops in Iraq and a planned drawdown in Afghanistan increases pressure to slash the defense budget. But as the increased hostility on the Korean peninsula last November and the recent political instability in the Middle East shows, there are many potential conflicts around the world that requires the military to be prepared not only in terms of new weapons systems but also with adequate personnel strength that is well trained and not stressed from continued deployments.

TRICARE

Ensuring adequate funding the Military Health System (MHS) and VA health care is FRA's top legislative priority and important to every segment of our membership, Auxiliary and widows. Our members appreciate Chairman Webb's comments that the TRICARE fee increase proposal "violates a moral contract that the government has with those who served in the military." The importance of health care is reflected in responses to the Association's 2011 online survey completed in February, which revealed that over 90 percent of all active duty, Reserve, retired, and veteran respondents cited health care access as a critically important quality-of-life benefit associated with their military service.

Higher health care costs are not unique to the military, and FRA appreciates the Subcommittee's opposition to past proposals to drastically increase TRICARE fees and pharmacy co-pays. Our membership believes there are management efficiencies and cost saving initiatives that can significantly offset higher costs – something first referenced in FRA's 2006 testimony on these issues before this distinguished Subcommittee. An example is the expanded use of the more economical pharmacy home delivery option for prescriptions, which saved the department over \$30 million in 2010.

FRA also notes recommendations in recent Government Accountability Office (GAO) testimony before the House Committee on Oversight and Government Reform which identified federal programs, agencies, offices and initiatives that have duplicative goals or activities. Number two on a list of 81 areas for consideration is realigning DoD's military medical command structures and consolidating common functions to increase efficiency which would result in projected savings of from "\$281 million to \$460 million" annually. In addition, GAO cites opportunities for DoD and the Department of Veterans' Affairs (VA) to jointly modernize their respective electronic health record systems, and also control drug costs by increasing joint contracting.

Identifying a permanent solution to pending cuts in Medicare physician reimbursement rates is integral to ensuring access to care for all beneficiaries seeking care outside the MHS or under TRICARE for Life. Congress has repeatedly punted on this matter and the latest extension preventing cumulative reimbursement rate cuts now totaling 29.5 percent expires on December 31, 2011. The Association supports a further two-year extension included in the Administration's 2012 Budget, however, a permanent fix is sorely needed.

HEALTH CARE FEES PROPOSAL

Regarding the Administration's 2012 health care fees proposal, the Association believes first and foremost that military service is unlike any other civilian career or occupation. Associated with this reality and maintaining readiness, are commitments to provide health care and other benefits for career personnel after their service careers. As stated in the Senate testimony referenced above, "Providing and funding health care benefits for all beneficiaries is part of the cost of defending our Nation." It's also important to remember that only about one percent of the population is currently serving in the uniformed services to defend our freedoms and prosecute the continuing war efforts.

The Department of Defense's lax management of health care fees since TRICARE was established in 1995 led to drastic fee hike proposals from 2006 to 2008 including a TRICARE Standard enrollment fee which would not enhance access to care for beneficiaries in that program.

Bipartisan legislation was subsequently introduced in successive Congresses that would shift oversight responsibilities from DoD to Congress (H.R. 1092 sponsored by Reps. Walter Jones and Dan Boren was recently introduced in the 112th Congress), and a Senate bill in the 110th Congress (S.604 sponsored by Senators Lautenberg and Hagel). If enacted, the Senate bill would have prohibited health care fee adjustments from exceeding the annual Consumer Price Index (CPI), which determines military retired pay adjustments and other federal benefits pegged to inflation. FRA supports (supported) these and related bills in the current and previous Congresses.

Compared to past proposals, the 2012 TRICARE fee changes are more reasonable – however, the 2012 adjustments characterized by DoD as "modest" are only part of the plan and the Association is very concerned about the yet-to-determined annual adjustment index for TRICARE Prime fees in 2013 and beyond.

FRA supports other aspects of the proposal including the elimination of co-pays for generic drugs dispensed via TRICARE's Home Delivery pharmacy program to encourage expanded use of this program – and survivors and medically retired personnel are not impacted by the proposal. There are also no active duty fee increases, no changes to TRICARE Standard - and something especially important to Medicare eligible retirees – no additional TRICARE for Life fees.

HEALTH CARE INFLATION

The Bureau of Labor Statistics' Consumer Price Index (CPI) is the basis for annual retired pay adjustments and absent a baseline statutory measure for determining health care costs, this index is integral to examining proposals to adjust TRICARE Prime enrollment and other health care related fees.

DoD cites a 6.2 percent assumption with regard to adjustments for 2013 and beyond while acknowledging a number of health care inflation indexes. FRA's research found that one-year Standard & Poor's (S&P) Healthcare Economic Indices through November 2010 ranged from 2.71 percent (S&P Healthcare Hospital Medicare Index) to 6.27 percent (S&P Healthcare Economic Composite Index), to 9.04 percent (S&P Healthcare Economic Commercial Index). And a January 20, 2011 press release on this data states that "Average per capita cost of healthcare services covered by commercial insurance and Medicare programs rose 6.27 (percent)," which is perhaps the benchmark DoD actuaries used in conjunction with projected multi-year savings associated with annual health care fee adjustments for military retirees.

USFHP AND COMMUNITY HOSPITALS REIMBURSEMENTS

The plan also would require new Uniformed Services Family Health Plan (USFHP) beneficiaries to enroll in Medicare Part B and shift to Medicare as primary provider at age 65 – a change that would impact future enrollees to this highly regarded program which serves approximately 115,000 beneficiaries in six areas throughout the U.S.

Although the FRA does not have expertise on the proposed adoption of Medicare payment rules at over 400 Sole Community Hospitals over four years, we understand that perhaps 20 of the facilities are near military bases and request consideration and/or analysis of the impact of these changes with regard to ensuring future access to care for TRICARE beneficiaries at these hospitals.

CONTINUED ATTENTION TO IMPROVED SERVICE AND COST EFFICIENCIES

FRA continues its strong advocacy regarding the need to improve service, streamline operations and further identify and implement cost saving measures within DoD, all of which are essential to maintaining readiness and fulfilling commitments made to all beneficiaries. The Association notes the elimination of 780 contract positions in conjunction with streamlining TRICARE Management Activity functions along with increasing inter-service cooperation and co-locating medical headquarters operations.

WOUNDED WARRIOR CARE

FRA appreciates the extraordinary efforts by this Subcommittee to help our wounded warriors. Last year this Subcommittee authorized a monthly stipend under the DoD family caregiver program for catastrophically injured or ill wounded warriors that is equal to the caregiver stipend provided by the Department of Veterans' Affairs (VA). Unfortunately, this program of which the Veterans' Affairs Committees have jurisdiction has yet to be implemented.

A recent *Navy Times* survey on wounded warrior care (November 29, 2010) indicates that 77 percent of caregivers have no life of their own; 72 percent feel isolated; and 63 percent suffer from depression. The new program will help many caregivers, however, the enactment and implementation of the legislation is only the first step and effective oversight and sustained funding are also critical to ensuring future support for these caregivers.

FRA supports additional changes detailed in the full TMC statement which include establishing a permanent independent office for the DoD/VA Interagency program with expanded authority to include oversight of all components of achieving a true seamless transition; authorizing active duty TRICARE benefits, regardless of accessibility of VA care, for three years after medical retirement to help ease transition from DoD to VA; and extending and making permanent the charter of the "Special Oversight Committee" to ensure improved and enduring coordination with DoD and VA initiatives to help wounded warriors.

DES

In response to the Dole/Shalala Commission Report a pilot program was created (NDAA-FY 2008 – Public Law 110-181) known as the Disability Evaluation System (DES). The pilot provides a single disability exam conducted to VA standards that will be used by both VA and DoD and a single disability rating by VA that is binding upon both Departments. The program, now called the Integrated Disability Evaluation System (IDES) recently became permanent and is being implemented at military medical facilities. This is a common-sense approach that FRA believes will reduce bureaucratic red-tape and help streamline the process throughout the entire disability rating system. Despite jurisdictional concerns, the Association urges the Subcommittee to provide oversight as the IDES is implemented. According to a recent GAO report the new system takes 10 months to traverse as compared to the current system that on average takes about 18 months.

Achieving an effective delivery system between DoD and VA to guarantee seamless transition and quality services for wounded personnel, particularly those suffering from Post Traumatic Stress (PTS) and Traumatic Brain Injuries (TBI) is very important to our membership. DoD should also make every effort to de-stigmatize mental health conditions that should include outreach, counseling, and mental health assessment for all service members returning from the combat zone.

SUICIDE RATES

FRA is deeply concerned about military suicide rates. Active duty suicides have been reduced or at least leveled off, but suicides for non-active duty Reserve Component are increasing.

For example, the Marine Corps ended calendar year 2010 with suicides at a three-year low. The service reported 37 confirmed or suspected suicides in 2010 as compared to 52 in 2009, and 173 Marines attempted suicide in 2010, which is nine more than the previous year. And the Navy reports a decline from 46 per 100,000 personnel in 2009 to 38 in 2010. Despite this, attempted suicides have increased since 2006.

Intervention has been helpful for active duty personnel but suicides for the Reserve Component (RC) not on active duty are increasing. Regarding these, (all services and Guard), 145 suicides were reported for 2010 which reflects a significant increase from 80 suicides the previous year. A March 30, 2011 Fox News segment indicated that Guard and Reserve suicides are increasing and that 85 percent of those committing suicide in the Guard and Reserve had jobs. A common theme also appears to be marriage problems (see USFSPA section below for related information.) FRA supports legislation (H.R. 208) sponsored by Rep. Thomas Rooney that authorizes reimbursement for mental health counseling under TRICARE.

DEFENSE BUDGET

FRA supports a defense budget of *at least* 5 percent of GDP that will adequately fund both people and weapons programs. The current level of defense spending (4.7 percent including supplemental spending in FY 2010) is significantly lower than past wartime periods as a percentage of GDP and the Association is concerned that the Administration's five-year spending plan of one percent above inflation may not be adequate in maintaining readiness and associated support for both people programs and weapon systems.

ACTIVE DUTY PAY

FRA appreciates that the military has been excluded from the pay freeze for federal employees announced by President Obama on November 29, 2010 and supports the proposed 1.6 percent pay increase that equals the 2010 Employment Cost Index (ECI). The United States however, is in the 10th year of war and there is no more compelling issue for our current warriors than adequate pay.

A total of 92 percent of active duty personnel who responded to FRA's recent quality of life issues survey consider pay as "very important," which was the highest rating. The Association appreciates the strong support from this distinguished Subcommittee in reducing the 13.5 percent pay gap to 2.4 percent since 1999 and reiterates the fact that the ECI lags fifteen months behind the effect date of pay adjustments due to budget preparation and associated Congressional action on annual authorizing and appropriations legislation. The enacted FY 2011 1.4 percent pay increase and proposed FY 2012 adjustment are equal the ECI, are the smallest pay increases in recent memory, and do not further reduce the pay gap .

The Association recommends that this distinguished Subcommittee authorize an active duty pay increase at least equal to the ECI so as not to increase the pay gap between civilian and military pay.

END STRENGTHS

Sufficient military end strengths are vital for success in Afghanistan and to sustaining other operations vital to our National security. FRA is concerned about calls for reducing end strength in the out years to save money on the Defense budget while we're still engaged in war in Iraq and Afghanistan. The strain of repeated deployments continues and is reflected in troubling stress-related statistics that include alarming suicide rates, prescription drug abuse, alcohol use and military divorce rates. These are also related to the adequacy of end strengths and the need for adequate dwell time between deployments – issues that have been repeatedly addressed in Congressional oversight hearings.

CONCURRENT RECEIPT

FRA's recent survey indicates that nearly 70 percent of military retirees cite concurrent receipt as "very important." The Association supports Senate Majority Leader, Harry Reid's "Retired Pay Restoration Act" (S. 344) and Rep. Sanford Bishop's "Disabled Veterans Tax Termination Act" (H.R. 333). Both proposals would authorize comprehensive concurrent receipt reform, and Rep. Gus Bilirakis' "Retired Pay Restoration Act" (H.R. 303) would authorize current receipt for retirees receiving CRDP with a disability rating of 50 percent or less.

The Association is disappointed that the Administration failed to address concurrent receipt reform in its budget request as it has for the last two years, but strongly supports House Personnel Subcommittee Chairman Joe Wilson's bill (H.R. 186), that expands concurrent receipt for service members who were medically retired with less than 20 years of service (Chapter 61 retirees) and would be phased-in over five years. This proposal mirrors the Administration's proposal from the 110th Congress. In 2008, Congress voted to expand eligibility for Combat-Related Special Compensation (CRSC) coverage to Chapter 61 retirees and the proposed legislation would, in effect, extend eligibility for Concurrent Retirement and Disability Pay (CRDP) to all Chapter 61 retirees over five years.

USFSPA

FRA again urges Congress to take a serious look at the Uniformed Services Former Spouses Protection Act (USFSPA) with a goal of addressing inequities in the law and amending language therein to ensure that the Federal government is adequately protecting service members against State courts that ignore provisions of poorly written law. As noted above, marriage problems may also be associated with suicide rates.

The USFSPA was enacted 29 years ago, the result of Congressional maneuvering that denied the opposition an opportunity to express its views in open public hearings. The last hearing, in 1999, was conducted by the House Veterans' Affairs Committee rather than the Armed Services Committee which has oversight authority for amending the law.

Few provisions of the USFSPA protect the rights of the service member, and none are enforceable by the Department of Justice or DoD. If a State court violates the right of the service member under the provisions of USFSPA, the Solicitor General will make no move to reverse the error. Why? Because the Act fails to have the enforceable language required for Justice or the Defense Department to react. The only recourse is for the service member to appeal to the court, which in many cases gives that court jurisdiction over the member. Some State courts also award a percentage of veterans' compensation to ex-spouses, a clear violation of U. S. law; yet, the Federal government does nothing to stop this.

Other provisions weigh heavily in favor of former spouses including divorce decrees in which the former spouse is awarded a percentage of the service member's retired pay which should be based on the member's pay grade at the time of the divorce - not at a higher grade that may be held upon retirement.

FRA believes that the Pentagon USFSPA study recommendations strike a balance providing needed improvements for the former spouse and service member and are a reasonable starting point for reform.

RESERVE EARLY RETIREMENT

The Reserve retirement age provision in the FY 2008 NDAA reduces the age requirement by three months for each cumulative 90-days ordered to active duty is effective upon the enactment of the legislation (January 28, 2008) and NOT retroactive to October 7, 2001. Accordingly the Association supports "The National Guardsmen and Reservists Parity for Patriots Act" (H.R. 181) sponsored by Chairman Wilson, to authorize Reservists mobilized since October 7, 2001, to receive credit in determining eligibility for receipt of early retired pay. Since September 11, 2001 the Reserve Component has changed from a strategic Reserve to an operational Reserve and the Association urges the Subcommittee to support this important legislation.

RETENTION OF FINAL FULL MONTH'S RETIRED PAY

FRA urges the Subcommittee to authorize the retention of the full final month's retired pay by the surviving spouse (or other designated survivor) of a military retiree for the month in which the member was alive for at least 24 hours. FRA strongly supports "The Military Retiree Survivor Comfort Act" (H.R. 493), introduced by Rep. Walter Jones.

Current regulations require survivors of deceased armed forces retirees to return any retirement payment received in the month the retiree passes away or any subsequent month thereafter. Upon the demise of a retired service member in receipt of military retired pay the surviving spouse is to notify the department of the death. Without consideration of the survivor's financial status, the Defense Finance and Accounting Service (DFAS) then stops payment on the retirement account, recalculates the final payment to cover only the days in the month the retiree was alive, forwards a check for those days to the surviving spouse (beneficiary) and, if not reported in a timely manner, recoups any payment(s) made covering periods subsequent to the retiree's death.

The measure is related to a similar Department of Veterans' Affairs pay policy enacted by the in 1996 that allows a surviving spouse to retain the veteran's disability and VA pension payments issued for the month of the veteran's death. FRA believes military retired pay should be no different.

MILITARY RESALE SYSTEM

FRA strongly supports adequate funding for the Defense Commissary Agency (DeCA) to ensure access to the commissary benefit for all beneficiaries. As noted by Thomas T. Gordy, President of the Armed Forces Marketing Council, at a recent oversight hearing by the House Armed Service Personnel Subcommittee, "Since 2000, DeCA's budget has remained flat in real dollars, meaning they have done more with less for the past eleven years." He also reported that "With the \$1.31 billion DeCA received in 2010, it generated savings to military families in the amount of \$2.69 billion."

The Association also strong supports the military exchange systems (AAFES, NEXCOM and MCX), and urges against revisiting the concept of consolidation. FRA instead urges a thorough review of the findings of an extensive and costly (\$17 million) multi-year study which found that this is not a cost-effective approach to running these important systems.

Our members are also concerned about the impact of the "Tax Increase Prevention and Reconciliation Act" (TIPRA) (P.L. 109-222) on the Military Resale System. Withholding three percent on payments to vendors that provide products sold in exchanges and commissaries will result in part to higher costs being passed on to beneficiaries and reduce resources to support MWR programs. Accordingly, FRA asks for support to exempt the Military Resale System from the law which becomes effective on January 1, 2012.

FIT BUT NOT DEPLOYABLE

FRA appreciates the inclusion of Section 571 in the FY 2010 National Defense Authorization Act which addresses the discredited practice of finding a service member fit but non-deployable who is then given an administrative discharge without benefits. This provision requires approval by a Physical Evaluation Board (PEB) and requires the Secretary of Defense to make the final adjudication. The Association urges this Subcommittee to provide continued oversight to ensure disabled service members are adequately compensated for their injuries and illnesses incurred while serving our country.

PCS REFORM

A recent *Navy Times* poll indicates that nearly 41 percent of service members had more than one problem with their most recent permanent change of station move (PCS). FRA supports legislation sponsored by Sen. Mark Begich entitled "The Service Members Permanent Change of Station Relief Act" (S. 472) which would authorize reimbursement for shipping a second POV to Alaska, Hawaii and Guam; and increase PCS mileage rates from 24 to 51 cents per mile.

TRAVEL COST RE-IMBURSEMENT

FRA appreciates the FY 2008 NDAA provision (Section 631) that permits travel reimbursement for Reservist's weekend drills, not to exceed \$300, if the commute is outside the normal commuting distance. The Association urges the Subcommittee to make this a mandatory provision. This is a priority issue for many enlisted Reservists who must travel long distances to participate in weekend drills without reimbursement for travel costs. Providing this travel reimbursement would assist with retention and recruitment of Reservists – particularly during the current period of increased reliance on these personnel to sustain the war effort and other operational commitments.

FLEXIBLE SPENDING ACCOUNTS

Many military families need flexible spending accounts that are available to most civilian employees and to federal civilian workers. The accounts allow service members to invest their earnings that are matched dollar-for-dollar by the federal government up to a specific amount. DoD has authority to implement flexible spending accounts but has elected not to do so which is why FRA supports legislation (S. 387) sponsored by Sens. Barbara Boxer, Richard Burr, and Kristin Gillibrand, and legislation (H.R. 791) sponsored by Rep. Loretta Sanchez. These proposals would mandate that DoD set up flexible spending accounts within six months after enactment and would require the Pentagon to study the feasibility of flexible spending accounts for the Reserve Component.

CONCLUSION

FRA is grateful for the opportunity to present these recommendations to this distinguished Subcommittee.

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Joseph L. (Joe) Barnes is a retired Navy Master Chief and serves as the Fleet Reserve Association's (FRA's) National Executive Director. He is a member of FRA's National Board of Directors, chairs the Association's National Committee on Legislative Service, and is responsible for managing the organization's National Headquarters in Alexandria, VA. In addition, he is president of the newly established FRA Education Foundation, which oversees the Association's scholarship program that presented awards totaling nearly \$120,000 to deserving students last year.

Barnes joined FRA's National Headquarters team in 1993 and prior to assuming his current position in 2002, he served as FRA's Director of Legislative Programs. During his tenure, the Association realized significant legislative gains, and was recognized with a certificate award for excellence in government relations from the American Society of Association Executives (ASAE).

In addition to his FRA duties, Barnes is Co-Chairman of the Military Coalition (TMC) and co-chairs TMC's Personnel, Compensation and Commissaries Committee. He is also a member of the Defense Commissary Agency's Patron Council and an ex-officio member of the U.S. Navy Memorial Foundation's Board of Directors.

He received the U.S. Coast Guard's Meritorious Public Service Award and was appointed an Honorary Member of the U.S. Coast Guard by then Commandant of the Coast Guard Adm. James Loy, and former Master Chief Petty Officer of the Coast Guard Vince Patton.

While on active duty, he was the public affairs director for the U.S. Navy Band in Washington, DC, and directed marketing and promotional efforts for national tours, network radio and television appearances, and major special events in the nation's capital. His awards include the Defense Meritorious Service and Navy Commendation Medals.

Barnes holds a bachelor's degree in education and a master's degree in public relations management from The American University, Washington, DC. He earned the Certified Association Executive (CAE) designation from ASAE in 2003 and is an accredited member of the International Association of Business Communicators (IABC).