

**HEARING TO RECEIVE TESTIMONY ON ACTIVE, GUARD, RESERVE, AND CIVILIAN PERSONNEL PROGRAMS IN REVIEW OF THE DEFENSE AUTHORIZATION REQUEST FOR FISCAL YEAR 2013 AND THE FUTURE YEARS DEFENSE PROGRAM**

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**WEDNESDAY, MARCH 28, 2012**

U.S. SENATE,  
SUBCOMMITTEE ON PERSONNEL,  
COMMITTEE ON ARMED SERVICES,  
*Washington, DC.*

The subcommittee met, pursuant to notice, at 2:03 p.m. in room SR-232A, Russell Senate Office Building, Senator Jim Webb (chairman of the subcommittee) presiding.

Committee members present: Senators Webb, Begich, Blumenthal, Brown, Ayotte, and Graham.

Majority staff members present: Jonathan D. Clark, counsel; Gabriella E. Fahrer, counsel; and Gerald J. Leeling, counsel.

Minority staff members present: Diana G. Tabler, professional staff member; and Richard F. Walsh, minority counsel.

Staff assistant present: Jennifer R. Knowles.

Committee members' assistants present: Gordon Peterson, assistant to Senator Webb; Lindsay Kavanaugh, assistant to Senator Begich; Ethan Saxon, assistant to Senator Blumenthal; Charles Prosch, assistant to Senator Brown; Brad Bowman, assistant to Senator Ayotte; and Sergio Sarkany, assistant to Senator Graham.

**OPENING STATEMENT OF SENATOR JIM WEBB, CHAIRMAN**

Senator WEBB. Good afternoon.

The subcommittee meets today to receive testimony from the Department of Defense on military and civilian personnel programs contained in the administration's national defense authorization request for fiscal year 2013 and the future years defense program.

I am pleased to have Senator Graham by my side again this year as the subcommittee's ranking member.

With us today are senior Defense Department leaders with whom we will discuss not only DOD personnel policy issues but specific budget items in furtherance of our subcommittee's oversight responsibilities, which I take very seriously. Our witnesses are: the Honorable Jo Ann Rooney, who is Acting Under Secretary of Defense for Personnel and Readiness; the Honorable Robert Hale, Under Secretary of Defense, Comptroller, and Chief Financial Offi-

cer for the Department of Defense; Mr. David McGinnis, Acting Assistant Secretary of Defense for Reserve Affairs; and the Honorable Jonathan Woodson, Assistant Secretary of Defense for Health Affairs and Director of the TRICARE Management Activity.

Virtually every leader in the Department of Defense who testifies before the Armed Services Committee addresses the importance of their personnel. In just the past few weeks, for example, we heard, quote, as we move forward, the Department is committed to our most important asset, our sailors, marines, civilians, and their families. The individual marine is our greatest asset. The hallmark of our success as an Air Force has always been and will always be our people. The strength of our Army is our soldiers.

And we agree. Taking care of our military and civilian personnel and their families is the priority for this subcommittee. And there are a number of military and civilian personnel policy issues on our radar this year. They include the administration's proposal to reduce military end strength by more than 120,000 personnel by the end of fiscal year 2017. Past experience tells us this cannot be accomplished through attrition alone. Many servicemembers who have served multiple combat tours will be asked to leave the military even though they want to remain in the ranks. This subcommittee will seek to provide the services with the force management tools necessary to reduce end strength in a responsible manner while keeping faith with those who have sacrificed so much. We also want to ensure that the services have robust transition programs to assist servicemembers and their families as they leave the active duty military.

The Department of Defense has just released a proposed policy change that will open more than 14,000 positions to women at the conclusion of the congressionally required notification period in a few months. We are encouraged that the services are continuing to explore the possibility of opening additional specialties and positions to women.

This subcommittee will continue to monitor the implementation of the Secretary of Defense's decision to eliminate, reduce, or reallocate 140 general and flag officer positions and 150 Senior Executive Service positions.

The subcommittee remains concerned about the number of servicemember suicides and will continue to monitor service suicide prevention policies and programs.

Sexual assault prevention and response remains a priority for this subcommittee. Last year we enacted a number of legislative provisions to assist victims of sexual assault. Secretary Panetta has announced that he will have additional proposals this year, some of which will require legislation. We stand ready to work with him on this important issue.

Our National Guard and Reserves are an integral part of the military forces. As an operational Reserve, the Reserve component is an economical force multiplier, providing flexibility and access to valuable capabilities resident in the National Guard and Reserves. This subcommittee will continue its effort to ensure that there is adequate legislative authority for optimal use of the operational Reserve.

The total force includes military personnel, DOD civilian employees, and contractor personnel. This subcommittee will continue to press the services to include civilians and contract personnel when addressing total force requirements.

The subcommittee remains committed to the care and treatment of our wounded warriors and their families. We believe that the integrated disability evaluation system is an improvement over the legacy disability evaluation system, but it is still too bureaucratic and time-consuming.

The subcommittee faces a very clear challenge this year as we address the need to control the increasing costs of personnel programs. As the Chief of Staff of the Air Force stated during a recent hearing, among all the other challenges facing us, the reality of fewer members of the Armed Forces costing increasingly more to recruit, train, and retain for promising careers is in his view the monumental defense issue of our time.

The total personnel-related base budget in the Department's fiscal year 2013 request, including the costs of providing health care to servicemembers, their families, and retirees, amounts to \$168 billion, or about 32 percent of the overall DOD base budget. However, while we must achieve savings in our defense programs, we must do this in a way that does not unfairly impact military benefits for a force that is serving and has served so well during more than 10 years of combat operations.

Our task is even more difficult this year because of the funding limitations imposed by the Budget Control Act passed by Congress last year. To comply with this act, the administration has proposed several major actions to reduce military personnel costs, including end strength reductions of more than 120,000 military personnel, limiting pay raises beginning 2015, establishing a BRAC-like commission to conduct a comprehensive review of military retirement and increasing health care fees for military retirees. Each of these proposals warrants careful consideration.

There is no greater responsibility for Congress and military leaders than to care and provide for our servicemembers and their families. Our military—Active, Guard, and Reserve—is still engaged in the longest sustained period of major conflict in our Nation's history. We look forward to learning more about the programs and priorities the Department has emphasized to make certain that despite today's fiscal challenges, our servicemembers, civilian personnel, retirees, and their families will continue to receive the support and benefits they have earned commensurate with their service.

I look forward to all of your testimony today on all of these issues, and as always, I encourage you to express your views candidly and to tell us what in your view is working and to raise any concerns and issues you may want to bring to the subcommittee's attention. Please let us know how we can best assist our servicemembers and their families to ensure that our military remains steadfast and strong.

Senator Graham.

**STATEMENT OF SENATOR LINDSEY GRAHAM**

Senator GRAHAM. Thank you, Mr. Chairman. It has been a pleasure working with you.

We have got our work cut out for us. The Budget Control Act is going to require some \$400-plus billion in defense spending reductions over the next decade. Sequestration—I hope in a bipartisan fashion, we can stop that. That would be devastating according to Secretary Panetta to do \$600 billion on top of the \$400-plus billion. And to get there, you are going to have to put everything on the table like reducing the numbers of people we have in the military, looking at benefits anew. But as the chairman just mentioned, the number one priority of the Federal Government from my point of view is to defend the Nation, and you can only do that with people who are willing to serve, and taking care of those who have served is the best way to recruit people in the future.

So the chairman has a unique background in terms of his experience in the Government and being a marine. So as we try to find out solutions to hard problems, we will work together the best we can, and I look forward to hearing from each of you.

Senator WEBB. Thank you, Senator Graham. As always, it has been a pleasure working with you on this subcommittee and on other issues as well.

We have received statements for the record from a number of different military and veterans organizations. Rather than list them all—I may be missing some here—at this point in the record all of those that will have been submitted by close of business today will be included, if there is no objection from anyone on this committee.

[The information referred to follows:]

[SUBCOMMITTEE INSERT]

Senator WEBB. We will now hear opening statements from our witnesses. Their complete prepared statements will be included in the record. Following your opening statements—I am going to make a point here because I really got into trouble on a recent hearing—we are going to have 7-minute per round questions from the subcommittee once the testimony is over. Those of you will recall when we had a panel full of lawyers and a subcommittee full of lawyers, the conversations went on for about 2 hours. So we will do it 7 minutes at a turn here. I think everybody on this end of the table is an attorney.

Welcome. Dr. Rooney, why do you not begin?

**STATEMENT OF HON. JO ANN ROONEY, ACTING UNDER  
SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS**

Dr. ROONEY. Thank you. Chairman Webb, Senator Graham, and distinguished members of the subcommittee, I appreciate the opportunity to appear before you to discuss the personnel and readiness programs in support of the President's budget request for fiscal year 2013.

Thank you for your support of our Active and Reserve military members, their families, and our Government civilians who have done everything we ask of them and more.

As you have heard from Secretary Panetta, the fiscal year 2013 budget request was the product of an intensive review of our defense strategy necessitated by the critical turning point of our

country after a decade of war and substantial growth in our budgets.

Today I will describe how we can sustain the All-Volunteer Force for generations to come, a force that has a proven record of unprecedented success in operations around the world. Accomplishing this will require the Department to make hard choices regarding competing priorities for limited funding. This budget plan is predicated on the assumption that the services are appropriately trained, resourced, and flexible enough to rapidly adapt to emerging threats. Resourcing the reset of the force while maintaining readiness will undoubtedly be one of the most challenging issues of our time.

As the acting Under Secretary of Defense for Personnel and Readiness, my priorities focus on total force readiness, improving the military health system, and total force support.

After 10 years of intensive operations, our forces are among the most capable in our Nation's history. Our Active and Reserve servicemembers and defense civilians are well prepared to execute current operations and respond to emergent needs. They are experienced and proficient in a wide range of real-world operations, including those that were not traditionally within the Department's scope of responsibility. As we end today's wars and adjust to new and changing missions, we find ourselves naturally transitioning back toward a broader range of security missions.

Although this transition is occurring in the midst of unavoidable fiscal pressure, we have committed to maintaining a ready, capable All-Volunteer Force.

The performance of our military medical system at a time of war continues to set new standards. The Department strives to provide the best health care in the world to our servicemembers, but the current cost growth of the military health system is unsustainable. The Department is pursuing a balanced, four-pronged approach for improving the health of our population and the fiscal stability of the health care system to ensure we can continue to provide this benefit in the future. Our four approaches include moving from a system of health care to one of health, continuing to improve our internal efficiencies, implementing provider payment reform, and rebalancing cost sharing.

Another key component of overall health and readiness of the force is support to the families of our servicemembers. One of the four overarching principles of the defense Strategy Guidance is to preserve the quality of the All-Volunteer Force and not break faith with our men and women in uniform or their families. Despite difficult economic circumstances requiring budget reductions across all levels of Government, the Department remains committed to providing servicemembers and military families with support programs and resources, empowering them to address the unique challenges of military life.

Ensuring the needs of military families and servicemembers are met contributes to the overall well-being of the total force. This includes access to mental health care, providing for the educational needs of servicemembers' children, support of morale, welfare, and recreation programs, and maintaining benefits at defense commissaries.

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

Putting together this year's budget request in a balanced package was a difficult undertaking and took the combined effort of our senior military and civilian leadership. Throughout that process, I believe we have developed the right mix of programs and policies in place to shape the force we need. Yes, we will reduce the rate of growth of manpower costs, including reductions in the growth of compensation and health care costs. But as we take these steps, we will do so in a way that we continue to keep faith with those who serve.

During the past decade, the men and women who comprise the All-Volunteer Force have demonstrated versatility, adaptability, and commitment, enduring constant stress and strain of fighting two overlapping conflicts. They have also endured prolonged and repeated deployments. 47,775 have been wounded, and 6,376 members of our Armed Forces have lost their lives. As the Department reduces the size of the force, we will do so in a way that respects and honors these sacrifices.

I look forward to continue to work with you, Chairman Webb, Senator Graham, and distinguished members of the subcommittee to support the men and women in our Nation's Armed Forces.

Accompanying me today is the Under Secretary of Defense Comptroller, Mr. Robert Hale, and two senior members of my staff, Dr. Jonathan Woodson, Assistant Secretary of Defense for Health Affairs, and Mr. Dave McGinnis, Acting Assistant Secretary of Defense for Reserve Affairs. All of us before you today look forward to your questions.

[The prepared statement of Dr. Rooney follows:]

Senator WEBB. Thank you very much, Dr. Rooney.  
Secretary Hale, welcome.

**STATEMENT OF HON. ROBERT F. HALE, UNDER SECRETARY OF DEFENSE, COMPTROLLER, AND CHIEF FINANCIAL OFFICER**

Dr. HALE. Well, thank you, Mr. Chairman, Senator Graham, members of the subcommittee. Let me underscore Jo Ann's thanks to all of you for the support of our men and women in uniform and the civilians who support them.

I am going to focus on some budget aspects of the personnel budget with just a few overall numbers.

We have asked Congress for \$525.4 billion of discretionary budget authority in fiscal year 2013. If you adjust that for inflation, it is a 2.5 percent real decline, the third consecutive year of real decline in the defense budget. As you look beyond fiscal year 2013, the budget is basically flat in real terms or slightly up.

To get to this request while also remaining consistent with title I, the non-sequestered title of the Budget Control Act, we reduced overall defense spending by \$259 billion in the next 5 years, our budget period 2013 to 2017, compared to the last year's plan. We took three steps to reduce our plan funding.

First, more disciplined use of defense dollars by eliminating lower priority programs and through efficiencies, including some cutbacks in contractor workforce.

Second, we propose force structure changes to carry out a new defense strategy, particularly important to this subcommittee. For example, our military will be smaller and leaner, especially our ground forces which will no longer be sized to carry out large, prolonged operations such as the one we undertook in Iraq.

On the investment side, we made a number of decisions to fund high priority programs, cyber, special operations, for example, but also restructured and reduced investments for many weapons systems.

And third and I know of particular importance to this subcommittee, the budget continues to fully support America's All-Volunteer Force even in the face of the Budget Control Act. We fully funded personnel, took a number of steps, funded family support programs fully.

But we also carefully reviewed and slowed the growth in military pay and benefits.

Let me expand on just two aspects of this budget in my oral statement.

The new 5-year budget plan calls for a reduction in end strength, active end strength of about 100,000 and 20,000 in the Reserve components, mostly in our ground forces. To achieve these substantial end strengths, the Army will eliminate at least eight brigade combat teams; the Marines, 6 battalions, 4 TacAir squadrons. There will be significantly smaller cuts in the Navy and the Air Force. Altogether these force structure reductions will save us about \$9 billion in fiscal year 2013 compared to last year's plan, \$53 billion over the FYDP. So we are about 20 percent with those on the way toward being consistent with the Budget Control Act.

We made substantial changes in investment—the cuts in this budget were disproportionately on the investment side—and pushed for more disciplined use of resources through streamlining and efficiencies. But it did not get us to where we needed to be.

In the end—and it was in the end—we made a decision to address military pay and benefits issues to avoid what we viewed as overly large cuts in force structure and investment. Our assessment took note of important trends in military pay and benefits. Pay and benefits, defined as military personnel and health care and some others, are up over 87 percent since 2001, 30 percent more than inflation, while the active duty end strength grew by only 3 percent during that period.

While we strongly believe that changes are needed in military pay and benefits, we also believe they must take into account some vital principles. The military compensation system has got to recognize the unique stress of military life. We cannot simply copy the civilian system. It must enable us to recruit and retain needed personnel. We judged that it should be disproportionately small in terms of the amount of the savings. So our total savings were about 10 percent of the target we were working toward under the Budget Control Act, military pay and benefits more than a third of our budget. And no one's pay can be cut. Growth can be slowed, but no pay cuts, no freezes.

Now, statements by other witnesses have described the proposals to reduce the size of our out-year pay raises, increase fees and deductibles for retirees, and raise pharmacy co-pays in ways that increase incentive to buy by mail order and to use generic drugs. I am not going to go over those again.

But I would like to do a couple of things, and I would like to correct first a misimpression we created. And I am sorry Senator Ayotte is not here because I did not do a very good job. I did not have a chance really when I testified before the Senate Budget Committee, and she asked a question about what we were doing for fees of our civilian personnel—health care fees.

While the President's budget does not propose changes in the mechanism for fees charged to Federal civilian employees and retirees, those fees are tied to private sector insurance costs. Those fees have increased substantially over recent years, more than doubling for some large cuts over the last decade, and they are almost certain to continue to grow. Moreover, even when our proposed increases in military fees are fully in place, the military fees will remain substantially less than the ones charged to Federal civilian employees and retirees. So this budget does require increases for Federal civilian personnel and substantial ones.

Perhaps the most important point regarding our military compensation proposals is this. The proposals have the full support of our military leaders and that includes all the members of the Joint Chiefs, the senior enlisted, and advisors. They have indicated that support in a formal letter sent to the Congress earlier this year.

Several of our proposed compensation changes require legislative authority. None can be put into effect without your support. We fully recognize that. But if that support is not forthcoming—and you asked me to be candid, Mr. Chairman, so I will be—what keeps the CFO up at night. If that support is not forthcoming, further cuts in forces and investment will be required of us to remain consistent with the targets of the Budget Control Act. And even if somehow we fit in changes in 2013, I have got to worry about 2014 through 2018, and those cuts get bigger in that period.

If, for example, Congress turned down all of our compensation proposals and we offset that hole in our budget with additional force cuts, we would have to cut roughly another 60,000 troops by 2017. And we might look at other ways and we probably would. But just to give you an idea of the magnitude. These additional cuts would surely jeopardize the new defense strategy that we have just recently put in place.

As this point suggests, our budget is a balanced, interconnected whole, and I very much ask that you consider it as such.

Mr. Chairman, thank you again for your support of our troops and to all the subcommittee for support of our troops and for the opportunity to testify today. And when the witnesses are done, I welcome your questions.

[The prepared statement of Dr. Hale follows:]

Senator WEBB. Thank you very much, Secretary.  
Secretary Woodson, welcome.

**STATEMENT OF HON. JONATHAN WOODSON, ASSISTANT SECRETARY OF DEFENSE FOR HEALTH AFFAIRS AND DIRECTOR OF TRICARE MANAGEMENT ACTIVITY**

Mr. WOODSON. Thank you, Mr. Chairman, Senator Graham, members of the committee. Thank you for the opportunity to appear before you today to discuss the future of the military health system and in particular our priorities for this coming year.

Over the last 10 years, the men and women serving in the military health system have performed with great skill and undeniable courage in combat. Their contributions to advancing military and American medicine are immense. The military health system's ability to perform this mission and be able to respond to humanitarian crises around the world is unique among all military or non-military organizations on this globe, and I am committed to sustaining this indispensable instrument of national security.

One of the most critical elements of our strategy is to ensure the medical readiness of men and women in our Armed Forces. We are using every tool at our disposal to assess our servicemembers' health before, during, and following deployment to the combat theaters. And for those who return with injuries and illnesses, we continue to provide comprehensive treatment and rehabilitation services supported by medical research and development portfolios appropriately focused on the visible and invisible wounds of war.

Concurrent with our mission of maintaining a medically ready force is our mission of maintaining a ready medical force. This ready medical force concept has many interdependent parts. It requires our entire medical team to be well trained. It requires development of our physicians in active, accredited graduate medical education programs. It requires our military hospitals and clinics to be operating at near optimal capacity, and for our beneficiaries, it requires an active decision to choose military medicine as their preferred source of care.

To meet these readiness imperatives means we need to compete with the rest of American medicine to recruit and retain top talent, to provide state-of-the-art medical facilities that attract both patients and medical staff, and to sustain a high quality system of care.

The budget we propose provides the resources we need to sustain the system. As we maintain our readiness, we also must be responsible stewards of the taxpayer dollars. The 2011 Budget Control Act required the Department to identify \$487 billion in budget reductions over the next 10 years. Health care costs could not be exempt from this analysis.

The military health system is undertaking four simultaneous actions to reduce costs. One, internal efficiencies to better organize our decisionmaking and execution arm. Two, a continuation of our efforts to appropriately pay private sector providers. Three, initiatives to promote health, reduce illness, injury, and hospitalization. And four, propose changes to beneficiary cost sharing under the TRICARE program.

The military and civilian leaders in the Department developed these proposals and have publicly communicated their support for these proposals to you in writing and in person.

I want to identify the core principles to which we adhered when developing these proposals. We believe the TRICARE benefit has been one of the most comprehensive and generous health benefits in this country and our proposals keep it that way. In 1996, military retirees were responsible for about 27 percent of overall TRICARE costs. In 2012, the percentage share of costs borne by the beneficiary has dropped to about 10 percent of overall costs. If these proposals we have put forward are accepted, beneficiary out-of-pocket costs will rise to 14 percent of costs by 2017. This is about half of what beneficiaries paid in 1996.

Second, we have exempted the most vulnerable populations from our cost sharing proposals. Medically retired servicemembers and families of servicemembers who have died on active duty are protected under this principle.

Additionally we have introduced cost sharing tiers based upon retirement pay, reducing the increases for those with lower retirement pensions. And I would mention that was led by the uniformed line leadership.

Mr. Chairman, we recognize the concerns of the members of this committee and the beneficiary organizations have voiced regarding these proposals, and I want to emphasize that these proposals are targeted to mitigate the burden on any one particular group of beneficiaries while simultaneously meeting our congressionally mandated cost saving responsibilities under the Budget Control Act. We have recently submitted to Congress the Secretary's recommended path forward for how to organize the military health system. We have learned a great deal from our joint medical operations over the last 10 years, and we recognize that there is much opportunity for introducing an even more agile headquarters operation that shares common services and institute common clinical and business practices across the system of care.

The budget we have put forward for 2013 is a responsible path forward to sustaining the military health system in a changing world and recognizes that the fiscal health of the country is a vital element in our National security.

I am proud to be here with you today to represent the men and women who comprise the military health system, and I look forward to your questions.

[The prepared statement of Mr. Woodson follows:]

Senator WEBB. Thank you very much, Secretary Woodson.  
Secretary McGinnis, welcome.

**STATEMENT OF DAVID L. MCGINNIS, ACTING ASSISTANT  
SECRETARY OF DEFENSE FOR RESERVE AFFAIRS**

Mr. MCGINNIS. Chairman Webb, Senator Graham, distinguished members of the committee, thank you for the opportunity to appear before you today and discuss the Reserve and our National Guard.

Today I can report to you that we have over 72,000 members of the Guard and Reserve on involuntary orders for mobilization supporting operations in Central Command. In addition, we have another 86,000 on a snapshot. At the end of the month, we provided to the Secretary, 86,000 guardsmen and reservists deployed on six continents supporting our regional commanders in various duty statuses from annual training to mobilization. This is reflective of

the emerging new role of our Reserve components described by many as the operational Reserve.

The President's fiscal year 2013 budget supports this operational Reserve providing funding and programmatic support to three key readiness imperatives: training, equipping, and recruiting and retention.

Training is focused on, first of all, maintaining capability and capacity identified within the Department for the particular organizations and leveraging available training technologies so we can make the maximum use of available time of our guardsmen and reservists when they are in training. And we are focused on developing a common readiness standard across the components of each Service so we have standardized expectations on what we are looking for the Guard and Reserve to do.

Equipping within my office first focuses on transparency. That is a bumper sticker for assuring that the equipment that you authorize for the Reserve components gets to those Reserve components you expected in a timely manner. We have also expanded this program to now develop a life cycle view of that equipment and track it throughout the system.

We are also working very hard to ensure that the Guard and Reserve organizations have the right equipment to train with, including command and control and communications equipment so they can integrate within the total force.

Recruiting and retention is obviously an essential element of a ready force, and our recruit quality remains high. We expect some shifts in that as we move forward with individuals leaving the Active component, as we mentioned earlier, and we are working very strongly to come up with ways to integrate them into the Reserve components as they leave active service.

Retention currently is very solid, and we know that while we recruit the servicemember, we must maintain the family and retain the family. The Yellow Ribbon Reintegration Program is a wonderful tool that you provided us that helps us do that. The use of the Reserve components in an operational role is necessitating that we begin to move the Yellow Ribbon program, or at least portions of it, into the base budget. With Secretary Hale's help and the help of others, we have started to do that in 2013, and we are working on doing that as we develop the future defense program.

Continuing evolving requirements now also include employment programs, employment assistance, and training. And we are working very hard at that. I will talk about that in a minute.

And as we learned from our members and their families on multiple deployments, we are finding that the tension to pre-enduring deployment activities within Yellow Ribbon really enhances the post-deployment period. And we are putting a lot of emphasis on that.

Heroes to Hire, H2H, is a joint initiative between the

Yellow Ribbon program and the National Committee on Employer Support to the Guard and Reserve which is focused on unemployment and under-employment of this distinct category of servicemembers within the Reserve components.

And second, this focuses on the reality that is really unemployment of our guardsmen and reservists is a key element of indi-

vidual military readiness. Successful guardsmen and reservists are established in the community and have good jobs. We know that.

And finally, sir, I could not appear before without highlighting the 20-year history of the building of enduring international partnerships with the National Guard State Partnership Program. We currently have a total of 63 partnerships, but I would like to focus on the 22 in Eastern Europe and the five in Central Command. The 22 in Eastern Europe have helped us build NATO and expand NATO and also account today, as we speak, for about 9,500 Eastern European military members as part of ISAF. And second, the five Central Command programs give us expanded access and understanding of the Central Command theater.

I thank you very much again and I look forward to your questions.

[The prepared statement of Mr. McGinnis follows:]

Senator WEBB. Thank you, Secretary McGinnis.

And I will start and I will also adhere to the 7-minute rule that I asked everyone else to adhere to at the beginning of my statement.

Actually, Secretary McGinnis, I would like to start with just where you ended up because when we look at the unemployment figures for those who served, we essentially in my view have three different groupings of people who had served. We have the one-term or non-career enlistees, which I think a lot of people up here misunderstand in terms of the size of that group. We tend to think if you have an all-volunteer system, you have an all-career system, and in truth and particularly in the Marine Corps and the Army, the majority of people leave before they enter their first enlistment. That group has one set of challenges in order to reassimilate into the civilian society.

Then we have the Guard and Reserve as a particularly difficult problem right now, and I want to get back to it.

Then third, we have the retirees who have another different set of circumstances when they leave.

But with respect to the Guard and Reserve, I had the position that you are acting in right now for 3 years and responsibility for the oversight of these programs. We never could have comprehended the rate that they are being called to active duty and the percentage of their professional career that they are actually spending in uniform. And we are seeing some really disturbing data in terms of the unemployment rates. I understand there are a lot of complexities that go into the fact that the employment numbers are down, but could you give us a better description of what the challenges are?

Mr. MCGINNIS. Yes, sir. The first challenge is the group that has the biggest unemployment, going as high as 24–26 percent depending on when you measured it, and that is the junior enlisted personnel. We have increased the number of non-prior service enlistments over the last decade in the Guard and Reserves, especially Army components, and of course the Marines have always had a high percentage. But in the Guard and Reserve, particularly in the Army Guard and Army Reserve, the numbers are now up to about 55 percent or more. They used to be lower than that by about 10

or 15 percent. We used to rely a lot more on prior service which we could not because of stop loss.

And a lot of those individuals enlisted directly out of high school, came into the Guard, and went through their initial entry training and then deployed. And now they are coming back. And they have never been in the workforce before. So that is one unique group we are focusing on. And that is why I mentioned in my opening statement that this is a unique group that we have to segment, as you explained, because then we have the individuals coming back who, because of the economy and other reasons, may have lost their jobs for reasons that their employer could not help and that number is running about 12 percent.

So we are working with the Employer Support Committee in each in State and their volunteers, 4,800 volunteers, with the Chamber and their effort and with H2H, which we have joined with the Army and the Army Reserve to focus on both of these groups in different ways. So we are getting a lot of momentum, and we have been working on it for about 18 months.

The initial problem we looked at was under-employment. And so we had some momentum working on under-employment for people coming back who were looking for better jobs based on their experience in theater. So we did have some momentum.

But that is the two areas that we are focused on and they are two distinct areas.

Senator WEBB. Do you see any indication of a resistance in the employer community because of the deployment cycles?

Mr. MCGINNIS. No, sir. We have just completed a survey which is now being assessed of employers. The Employers Support Committee did that, and when it is available, we will make it available to you. But initial indications are while if you look at the groups who have to support us, the individual themselves, the families, the employers, the employers have the lowest level of support, but it is not below 50 percent. The employers on par have been very patriotic and very supportive of the efforts. And we do not see a reluctance to hire. In fact, we see people who are coming to us who want to hire. The biggest issue we have, as you know—and it has been the issue since the program started—is the small employer and in some cases the medium employer. And we need to continue to work with them. And hopefully from the survey we will figure out some ways that we can bring to you on how we can help them. But that is a large group of employers.

Senator WEBB. Secretary Hale, you mentioned sort of the cross section of the total force when it comes to the reductions that we are looking at. Could you give us sort of a comparative examination or a statement on the civilian employees and contractor employment?

Dr. HALE. The civilians are down slightly, roughly similar to the military from 2012 to 2013, down about 2 percent. In the out-years, our civilian employment drops not very much, just a couple more percent. In fact, we are looking at that now. I believe what happened is we were pretty busy in the last program budget review, and I think we did not have a chance to look at support personnel as much as we could or should beyond 2013. So I would expect—I know it will be an issue as we look at the 2014 to 2018 program.

Contractors. We struggle with good information. They are down in dollar terms from 2012 to 2013. Frankly in the out-years, we do not have reliable data on contractors because we just do not formulate it in the same way. We are working to do that and I hope we will have better information. But they are down slightly from 2012 to 2013.

Does that answer your question?

Senator WEBB. Roughly what would the percentages look like compared to the Active Force?

Dr. HALE. Similar. From 2012 to 2013, down 1 to 2 percent for both Active and civilians. Let me correct the details for the record. Similar for contractors in dollar terms, which is the best data I have.

Senator WEBB. Are the out-years the same?

Dr. HALE. Well, no. For active duty personnel, including Guard and Reserve together, about 5 percent over the FYDP period. More like 2 for civilians. As I said, I think we need to relook at that issue. I do not have contractor data beyond 2013. We keep track of how much we are going to spend in O&M buckets. We do not in the contractors. And we are trying to do a better job, but we are not there.

Senator WEBB. We may ask you a follow-on question on that.

Senator Graham.

Senator GRAHAM. Thank you, Mr. Chairman.

Just to pick up with where the chairman left off, I think it is very important before we make a decision how to get to 487, that the civilian workforce, if it is going to be reduced just a fraction of the Active-Duty Forces and Reserve folks who wear the uniform, I would like to know more about how we could maybe shift some of this reduction, look at the civilian side a little bit harder, and make sure that we get to 487 with as many people that are available to go to war if we have to have a war. So I just want to echo what the chairman said there.

Mr. Woodson, in 1996, I think you said, the amount of money collected from people on the program through premiums for TRICARE was about 26 percent?

Mr. WOODSON. Sir, the cost share was about 27 percent.

Senator GRAHAM. 27 percent. So 27 cents of every dollar of cost came from the people on the program. Right?

Mr. WOODSON. Correct.

Senator GRAHAM. And it is down to 10 now. Is that right?

Mr. WOODSON. Correct.

Senator GRAHAM. Is that just because we have never adjusted the premiums and the costs have gone up?

Mr. WOODSON. Correct, and also remember we have added substantial benefits to the program over the last decade.

Senator GRAHAM. So what you are proposing is to try to get the premium cost share up to 14 percent.

Mr. WOODSON. Correct, on average.

Senator GRAHAM. Based on retirement benefits reschedules, based on how much money you make in retirement?

Mr. WOODSON. Correct.

Senator GRAHAM. In terms of overall budget, if it continues on the course that it is now, what percentage of DOD's budget would be consumed by health care?

Mr. WOODSON. Sir, that is a great question, Senator. So if you look at the numbers right now and you look at a base budget of \$525 billion, our unified medical plan this year was \$53 billion. So we are talking about we are at 10 percent now. If you look at the issue of a modest 5.3 percent growth in health care—and you can do the calculations—particularly the top line of DOD comes down. And the implications of this, of course, is that health care will consume a greater percentage of the DOD budget, but it also produces kind of a palpable tension, if you will, between providing health care and training, manning, and equipping the force. And I think that is what Secretary Hale was alluding to before.

Senator GRAHAM. Well, I would just like to be on the record saying I would like to work with the administration to find some way to change this dynamic because the Budget Control Act requires 487. I do not know if that is set in stone. If we can change that number, I would be willing to. But we have got to balance the budget. We are \$15 trillion in debt. Everything has got to be on the table.

When it comes to the Guard and Reserve, Mr. McGinnis, the Air Guard seems to get hit pretty hard here. Are you familiar with the proposed cuts in the Air Guard?

Mr. MCGINNIS. Yes, sir. And the Secretary of the Air Force is in the process of reorganizing his force and has presented this to the Department. I have made my recommendations to the Secretary, and the Secretary is in the process of reviewing that now.

Senator GRAHAM. I appreciate it.

Mr. MCGINNIS. And Secretary Hale is very much a part of that. And hopefully in the near future, we will have a decision.

Senator GRAHAM. Secretary Rooney, if you allowed people who were 50 percent disabled to access commissaries and exchanges, could you get back to us later on and see what impact that would have? Because I think the rule is now that only 100 percent disabled people have commissary and exchange privileges. Is that correct?

Dr. ROONEY. I believe you are correct, sir.

Senator GRAHAM. Okay, if you could look at that. What I am getting at is our commissaries and exchanges are good deals for the members and their families, and we want to make it sustainable. And if we are going to draw down the force, then you lose customers, and this might be one way of getting a larger customer base and reward people who have sacrificed for the country. I just want you to look at that and I will talk with Secretary Webb about it.

Thank you all for your service, and we will see what we can do to work through this.

Dr. HALE. Senator Graham, could I add briefly to your opening, kind of underscoring the chairman's point on civilian personnel? I agree we need to look at them. We need to look at contractors as well. But we need to remember that civilians run our acquisition, they run logistics, they run finance, they fix our ships and planes. We cannot fight effectively without them. So we need to be a little

careful in my view about sort of damning our civilian workforce which we sometimes I think lean toward doing. We just cannot work without them.

Senator GRAHAM. They are a very valuable part of the team, cannot do the job without them. But again, you know, we are going to have to set our priorities in this country—

Dr. HALE. We need to be careful.

Senator GRAHAM.—and figure out where we go.

Senator WEBB. Let me, before I call on Senator Blumenthal, just first of all say I am looking for data here when it comes to civilian numbers and active numbers. There is a reality that I think we all acknowledge that when you end a long period of sustained ground combat, you reduce your ground forces. So it is not necessarily an apples-to-apples comparison when you look at the civilian side. But my question really was to get the numbers.

And another thing, just from my own experience, Senator Graham, I think—I was talking to staff there on your question as to the percentage disability being able to use commissary and PX.

Senator GRAHAM. Am I wrong?

Senator WEBB. If you are medically retired from the military, it is 30 percent or above where you can use commissary and exchange. There is a different system if you go to the VA for a percentage. But I wanted to clarify that if you are retired, which is 30 percent of higher, then you are able to use those benefits.

Dr. ROONEY. Correct.

Senator WEBB. Senator Blumenthal?

Senator BLUMENTHAL. Thank you, Mr. Chairman, and thank you for your leadership and Senator Graham's on this subcommittee, and thank you to the witnesses for the excellent work that you are doing in a very difficult time, perhaps more difficult than any within recent memory.

And many of the issues that have been raised both by my colleagues and by you in your testimony are of very great interest to me. I want to focus on one, though, that may not be directly related to the budget. I know the budget consumes a lot of time. You have discussed in your testimony, Secretary Rooney, the issue of sexual assault, which I know troubles you and the Secretary greatly, a great concern to you, and there is a zero tolerance policy. It is a leadership issue.

You say in your testimony that the estimates now are about 19,000 sexual assaults a year, which is down from the estimate of 34,000 in 2006. Are you suggesting that the rates or numbers of sexual assaults has been reduced over the last 6 years?

Dr. ROONEY. Sir, the way we get to that number is we look at the number of reported sexual assaults as a percentage of the overall force and then actually multiply it. The number appears to come down, but quite frankly, as you indicated, our concern is that there are any. And 19,000 is 19,000 too many, or whatever the exact number is, because again that was extrapolated from actual reported numbers. So while we believe that the attention being focused, the programs being put in place, and frankly the leadership taking this on as such a critical area to be able to address because it goes right to the heart of what our military believes in terms of

their work and their respect for each other, that that number will come down. But we realize we have a great deal of work to do, sir.

Senator BLUMENTHAL. But it may not have come down in the last 6 years. Obviously, your objective is to make it come down. But I am just asking whether you have confidence in that number because, quite honestly, I am not sure that I do.

Dr. ROONEY. I believe that number indicates that we have a substantial problem yet. But again, it is not a specific number. It is extrapolated from those reports we have.

Senator BLUMENTHAL. Of the defendants who are reported—and in those incidents, 3,192 in fiscal year 2011—what percentage faced court martial?

Dr. ROONEY. Sir, I will take that question for the record and get back to you on the specific.

Senator BLUMENTHAL. The information I have is fewer than 21 percent.

Dr. ROONEY. That percentage is correct.

Senator BLUMENTHAL. What is the reason that they are not brought to court martial?

Dr. ROONEY. Often, sir, it is many of the same challenges that we see on the civilian side, which is in order to go through the court martial, obviously, we need to be able to get the evidence and make sure that our folks are trained to be able to take and prosecute those particular cases. Those are specific areas we are working on now to make sure people are trained in the specific areas of how to be able to not only get the evidence, but to present that forward. And that is often the roadblock.

Senator BLUMENTHAL. So you are upgrading the procedures for collection of evidence, and what about retention of evidence?

Dr. ROONEY. Yes, sir. We actually are retaining the evidence at this point, if it is an unrestricted report, for 50 years.

Senator BLUMENTHAL. And are you making efforts to speed the process? In one instance that has been reported to me—and I can get you the name and perhaps you can get me more details—there was a 3-year gap. And by the way, I am very familiar with the defects in the civilian area since I—

Dr. ROONEY. I know you are, sir.

Senator BLUMENTHAL.—was involved in it. So this is by no means to say that you should use it as a model necessarily, but I know the military sets its own standards for what excellence is and you have your own goals.

But that 3-year gap, as you know, makes evidence, even if it is collected—that is, the eyewitness testimony that may be provided—more difficult to get. And I just wonder what steps are being taken to make sure that these cases are brought to court martial and brought, in effect, to trial more quickly.

Dr. ROONEY. Actually, we are working directly with the Services on this, and the Joint Chiefs have been actively involved in looking at how do we not only streamline the actual court process, but also streamline from the point of reporting to—we have such things in place, as you know, as expedited transfers. So all through the process, making sure that we are able to still protect due process, if you will, for the accused, but move that through the system from the

first report through. So that is something we are actually engaged, right now, with the services to do.

Senator BLUMENTHAL. Do you have numbers as to the median or average length of time it has taken and what percentage involve eventual findings of guilt, culpability, and also what the eventual penalties are in those cases?

Dr. ROONEY. Sir, we do have those numbers, but if I could take that for the record and give them to you as opposed to trying to get them from memory. But we do have them. I have seen them, sir.

Senator BLUMENTHAL. I would appreciate that.

Dr. ROONEY. We will.

[The information referred to follows:]

[SUBCOMMITTEE INSERT]

Senator BLUMENTHAL. And can you also provide percentages as to what numbers or in what rate you give defendants the option of a discharge or a resignation in lieu of court martial?

Dr. ROONEY. I will get the information as to what the eventual resolution was as to whether that was a negotiated plea or something in that regard. That will be a little harder, but I can certainly tell you article 15 and various steps of penalties.

[The information referred to follows:]

[SUBCOMMITTEE INSERT]

Senator BLUMENTHAL. And finally on this subject, can you tell me when Secretary Panetta is going to be releasing the recommendations he is going to be having both administrative and legislative? Do you know?

Dr. ROONEY. Actually, we have been working on the possible legislative proposals as recently as today. So I am expecting those to be coming up soon, and within the next 3 to 6 months, we will also have some additional ways forward on specific recommendations coming out from the services, as well as follow-up on the ones we mentioned with the expedited transfer and the document retention.

Senator BLUMENTHAL. Thank you.

On the issue—and you raise it in your testimony—concerning suicides, can you talk a little bit about what steps are being taken to address this issue more effectively?

Dr. ROONEY. Absolutely. And you are right that the numbers right now, despite many of our efforts, have not shown a significant decrease. But what we have done, in fact, is taken the task force that had their report forward. One of the recommendations was to create a specific suicide prevention office, which we have done in the last few months. And the purpose of that office is not to create yet another layer, but it is to look across all of the services and actually be the conduit for what are best practices, where are we missing some potential opportunities, getting rid of the redundancies. So that has at this point a temporary staff, but in the fiscal year 2013 budget, we have the full appropriations we are requesting on that to have that staff stand up.

In addition to that, we are working directly with the services in each of their component areas to see what practices they have in place.

The next thing—and I think you have seen it also from the medical side—is we are embedding behavioral health not only within

the units but also making it available to the families through a number of our family programs. Again, we are continuing to monitor what has been the outreach and where have we seen some successes or not as it were.

So those are the steps at this point with many more coming forward.

And also collecting data has been a big challenge that we have had, contemporaneous data. So we are working closely with the VA in particular at this point to share information not only from the DOD side but also what the VA is getting. We are doing a lot of joint work with them. So we are getting data that is within 30 to 60 days old as opposed to a year or 2, which is what we had been getting, as the way the States are gathering it, and sharing that information and trying to trend directly with the VA.

Senator BLUMENTHAL. Thank you. Thank you very much. My time has expired.

Thank you, Mr. Chairman.

You know, we hear a lot and I profoundly agree with the statement that we have heard again and again that our most important asset is our people, and you are the folks who are dealing with that asset. So I want to thank you for your great work. Thank you for being here.

Thank you.

Senator BLUMENTHAL. Thank you, Senator Blumenthal.

Senator Begich.

Senator BEGICH. Thank you very much, Mr. Chairman.

Thank you all for being here. I appreciate it.

Let me start with a couple questions, but first, Mr. McGinnis, there is a piece of legislation that Senator Graham and I have sponsored on space availability for widows of combat veterans, as well as Guard and reservists. To be very frank with you, you know, we are not changing any of the prioritization. We are just making sure if there is a seat open and all the prioritization has occurred, then there is opportunity. The response we got informally was not very, in my view, thoughtful. And I will not belabor it here, but I would like you, if you could, to take a look at that legislation and give your thoughts on it.

We have a lot of bipartisan support. As a matter of fact, a lot of people on this committee have sponsored it. We think it is a fair way to approach. It is like an airline industry. When there is a seat empty, there is no value to it, and if there is an opportunity, we should explore that. And I think what we have tried to do is recognize the rules and regulations of prioritization of utilization of space available and recognizing that, but not overtaking that and leaving a lot of authority to the Department.

So if you could take a look at that bill.

Mr. MCGINNIS. I will, sir.

Senator BEGICH. That would be great. And my staff will be happy to talk with your staff about that.

And I will just not belabor it more than that, to say the response was not as thoughtful as I thought it would be. I will leave it at that.

Mr. MCGINNIS. I will look at it.

Senator BEGICH. Thank you very much.

Secretary Hale, let me, if I can—and this might be to you and to Secretary Rooney also. I want to understand the process. And you have to understand where I come from. I come from being a former mayor where if I have a CFO, they know all, and at the end of the day, they have to sign off on money things. You know, no department can kind of go do their own stuff, and even when personnel has stuff, someone has to sign off their savings or costs. So I do not necessarily say that is the way it all works in the military. I am not suggesting that.

But let me walk through an example and help me understand how you would be engaged in this or in your case, Secretary Rooney.

I am dealing with and a lot of folks are dealing with this around the country with bases that are being reviewed for potential reductions or reductions of services or personnel, may they be military and/or civilian. We are dealing with this at Eielson Air Force Base right now. And here is the scenario. The proposal was laid out. It will save X amount of dollars. We then, of course, questioned this. Now they are sending a team up to analyze what the savings will be, which seems odd that you would propose a savings and then analyze it later, but I will leave that for a second.

What is the role you—first of all, I will start with you, Secretary Hale. When the Secretary of the Air Force—I am using them as an example. I do not mean to pick on them, but they are the ones we are dealing with with Eielson. They propose these savings that recognize a certain amount of money that will be saved. What is your interaction with those activities? Do you accept those based on that information? And then holding that thought, the question I would have for you, Secretary Rooney, is when they propose this—and it is basically a bulk of personnel savings—how are you engaged in that, in analyzing that number, may they be civilian and/or personnel or military active personnel? Secretary Hale, to the first question. What is that engagement?

Dr. HALE. We are dealing with one of the world's largest organizations, Senator Begich, and many of these proposals do work up through our Military Services and departments which have cost analysts and staff similar. They are not formally chief financial officers, but they have assistant secretaries for financial management and comptroller. My staff tends to review the ones that are in contention or perhaps cut across all the Services.

I do not know for sure on the Eielson one, but my guess is it was an Air Force estimate and reviewed by them.

Senator BEGICH. So you kind of accept because they go through this kind of chain—to a certain extent. I am not saying all the time.

Dr. HALE. If we have reason to question it, no, but we do not review every single proposal that comes forward. I do not know on the particular one you are referring whether we did. I would need to find out.

Senator BEGICH. Let me ask then on the personnel. So when they recommend or suggest that it will save this amount of military personnel and X amount of civilian personnel, again recognizing they go through this chain, what happens at your level, if anything? I do not know.

Dr. ROONEY. Actually, it would. Two of the areas within personnel and readiness deal with military personnel policy and civilian personnel policy, but embedded in that is this idea of total force. And our role typically at that point is working with the Services to ask them what in fact are they going to use as tools, specific drawdown tools available potentially for the military, if they are seeing that the reduction would come from the personnel side, and walk through with them from a policy standpoint what exact shaping tools are they using and making sure they are understanding the costs or the implication of those.

The same with the civilian side. We have set processes and procedures to, hopefully, reintegrate the civilians within the workforce, and walk through whether, in fact, they are following those procedures and have considered that in cost estimates.

Senator BEGICH. Can I ask—I appreciate that answer. But I would have expected that from like our personnel department in the city would have done that. The departments do their thing and then the personnel kind of walks through it because sometimes departments will over-estimate for the benefit of getting past OMB. Getting past OMB, the life is better. But in the mayor's office we always had to say, well, are these real, what does it mean.

In this situation, I am assuming they then submit to you something that says here is what we guess, here is how much civilian, here is how much active, and then you walk through this process. And sometimes it is easy because it clear, but sometimes more complicated. Is that a fair statement? Depending on what it is. Is that fair?

Dr. ROONEY. A fair statement.

Senator BEGICH. Can I ask for the record—and again, I do not expect you to have it off the top of your head here—what role, maybe limited or extensive, that you might have had in this review within your area with regard to this redirection? I mean, it is a lot of people. Well, actually, they do not know how many. That is the challenge, to be very frank with you. They have estimated active military, but they cannot give us an answer to this day on civilian. And we have asked them four times. I know there is a document that exists that says here is what we anticipate because someone had to review it to say here is what it will save. I have not seen it. We have asked for it over and over and over again.

So is that something you could look at and respond? And if your answer is, well, we did not get anything, okay. Or we did and we cannot give it to you yet, okay. Or, yes, we have it, here it is. I would prefer the latter, to be very frank with you. I am hoping it is the latter.

Dr. ROONEY. And what we will do is look at it. Based on what you are indicating, it is very possible it has not reached the level yet where we would see it fleshed out to the point to be able to give some feedback. But I will do is check with our team, if they have been involved to this point, and if not, be able to check and see what work has been done, and then we can give you a better idea when it would, in fact, come to us for a review. But it usually has a little more detail than what you described before we would actually see it to be able to give some reaction.

Senator BEGICH. Well, and my time is up.

I would have anticipated even the kind of detail you are talking about that you would expect I would expect when they make a reduction to a military base to shift 600-plus people plus more civilians, which we do not know of, that you would have more information to make those judgments because we have to make the decision that, okay, this is an okay budget and we have got to check off. But if we do not understand how they got there, we cannot make a rational decision. So that is why I am in this quandary.

I will tell you there has been a lot of this—pointing—and I know the way it works, especially within the military. There are more forms about forms to have more forms. So somewhere in this mix someone wrote down in 2013 and 2014 and 2015 we anticipate this civilian reduction, this military reduction for the savings of X so that we can then get past OMB and the CFO. Someone did it somewhere. If they did not, then to be very frank with you, that is incompetency. But somewhere it is done. I just know it. That is how the Pentagon works here, more reams of paper than paper can be produced every day is my view. So that is just a thought there.

I have some other questions which I will submit for the record for generally all of you. They are broader in the sense of some policy issues, and I will submit those.

But I thank you for you letting me have my rant. Thank you, Mr. Chairman, for letting me rant.

Senator WEBB. Thank you, Senator Begich. And actually, we will have another round if you want to come back and ask more questions.

Senator BEGICH. I will submit them.

Senator WEBB. Having spent 5 years in the Pentagon, I can say a lot of the reams of paper that grow around the Pentagon have been produced at the behest of the Senate and the House of Representatives. [Laughter.]

Senator BEGICH. And the good news is I am not asking for more paper. I am just looking for a piece of paper that they produced.

Senator WEBB. Senator Ayotte?

Senator AYOTTE. Thank you, Mr. Chairman.

Speaking of paper, I wanted to ask Secretary Hale about where we are on audit because I was able to ask the Chief of the Air Force. I know that the Air Force may have the most difficulty in meeting Secretary Panetta's goal of a 2014 statement of budgetary resources. This is something I have been very interested in. In fact, I introduced an amendment to the NDAA in this past go-around wanting to kind of codify that you meet the auditary requirements.

And just wondering where we are. Are we going to meet the 2014 deadline for a statement of budgetary resources in each of our services and within the overall Department?

Dr. HALE. I am reasonably confident. I mean, this is a tough problem, tougher frankly than I anticipated. But we have got several things going for us.

The first is the strong endorsement by Secretary Panetta which has opened doors wider than I expected, and we are doing everything we can to leverage it. In particular, I think what we are doing that we have not been able to do in the past is get this out of being a comptroller issue and into being a commander issue. And we absolutely have to do that because we have got to change busi-

ness processes, and only the commander can do that. We have got the money. We have got the governance process. We have interim goals which are critical. You probably heard me say before no one wakes up thinking, you know, I really got to work hard today for a 2014, let alone a 2017 goal. So we have interim dates.

The Secretary convened a meeting of all the Service Secretaries and Service Chiefs. We had everyone there. Amazing to me. They get it. They get it that it is important now.

Senator AYOTTE. And it is important. This is not just any paperwork.

Dr. HALE. And so I am going to stop with reasonably confident.

Senator AYOTTE. Okay. I appreciate that.

And you know, we did talk about a lot of paperwork, but this is really important particularly when we are asked to make some very difficult decisions about the Department in terms of it being a management tool as well as an information tool for Congress. Would you agree with me on that?

Dr. HALE. I would. We have over-promised and under-delivered for a long time. So that is why the best you get is “reasonably confident,” Senator.

Senator AYOTTE. Well, reasonably confident. I will take it. How is that?

I wanted to ask Secretary Rooney. Yesterday you and I had a chance to meet and talk about New Hampshire’s deployment cycle support program within our Guard. And it is, as you know, one of the challenges that we have had that our guardsmen and women and our Reserve—we have really used them in these conflicts in Iraq and Afghanistan. They have been part of our total force. We would not be able to have fought in Iraq and Afghanistan without our Guard or Reserve. And yet, often the whole deployment cycle support is not there for them.

And so New Hampshire came up with a very strong public/private partnership. We partnered Federal Government resources with State government, as well as private organizations like Easter Seals. And we have been keeping metrics on it so that we can measure the results, and in fact, the results have been getting our veterans to work, reintegrated into work. We have actually saved someone’s life in a suicide, which we are very proud of, and really servicing our families.

So I wondered Secretary Rooney, if you have had a chance to look at that after we talked yesterday, what your impressions are of it. And I would also ask Mr. McGinnis as well. And then I would also love to invite both of you to New Hampshire to see firsthand how this program works.

Dr. ROONEY. Thank you, Senator. Starting with your last point, as I indicated to you yesterday, I would welcome the opportunity, particularly if I am back home in New England on the weekend, to join you and actually see the program.

And I appreciate the additional information you did send over.

You hit upon a key aspect. When we talk about the challenges that we have in managing to leverage resources and be efficient, it is how do we not only extend what we are doing in the Department but reach out and form more of these public/private partnerships. And it is going to be a way that we have to be very diligent

about looking for those opportunities, finding those situations that work the best, and how can we replicate them.

After I left you, I had the chance—I was meeting with the senior enlisted, and we started talking about this, about how do we successful transition, and whether it is Guard and Reserve or Active, it is just how do we transition our folks from the military and reach out. And they indicated to me too that they were aware of the New Hampshire program and also possibly another one in Oregon and maybe another State.

And I think what all of us need the responsibility for doing, myself and Mr. McGinnis, is to look for those opportunities, learn more about how they work, and see if we can duplicate them so that we are addressing the issues, as we heard of, suicide and unemployment and transition. And our job can be to more tightly align with how do we translate military skills into skills that the civilian workforce can use. We can do a good job about that, but then really rely on those public/private partnerships. And we are seeing in several cases that they work.

Senator AYOTTE. I think one of the reasons it works in New Hampshire is because we know there are limited resources, but we are leveraging those with the State and with the nonprofit community to take advantage of all the Services in a way that is very proactive for those that return from overseas or return from deployment.

I do not know if you wanted to add anything, Mr. McGinnis.

Mr. MCGINNIS. Yes, ma'am. The funding that has been provided for these programs in the past has been congressional adds. There has been a number of State programs that have been supported. The appropriated dollars both to the services and to the Department—and Yellow Ribbon is focused on the long list of mandated requirements I have to make sure happens within the Yellow Ribbon transition program. And we are focused on that.

However, our Yellow Ribbon center of excellence is putting together a process to be able to evaluate all these programs, as Dr. Rooney mentioned. We share a very similar problem with my colleague in military communities and families, Mr. Gordon, Secretary Gordon, and we are working with him to put together a process where we can evaluate these programs. But like Secretary Rooney, I would very much want to come up and see your program.

Senator AYOTTE. We would love to. Come in the fall. It is gorgeous. We will have you sooner too.

Mr. MCGINNIS. Thank you.

Senator AYOTTE. I wanted to ask Dr. Rooney, certainly Secretary Woodson where we are. Our All-Voluntary Force—I think you would all agree that our troops have done everything we have asked of them and more.

So last year, did we not increase TRICARE enrollment fees?

Dr. ROONEY. Modestly we did, yes.

Senator AYOTTE. But we did.

And we tied it to cost-of-living adjustments. Correct? And now you are back before us—I know, Secretary Hale, you certainly have an opinion on this—to ask for additional TRICARE increases. And these increases are very significant.

I know my time is up here, but I think this is a really important issue. So I will wait for another round.

But for some individuals, these are not trivial. For example, a retiree receiving between \$22,000 and \$45,000 a year—their annual fees will go from \$500 to \$1,500 a year, threefold in only about 4 years. So this is a pretty significant issue.

And I think we have a duty, given what our servicemen and women have done, to really have a very hard discussion about this, and I am really concerned about it.

So I know my time is up and I will stick around to ask more questions and turn it back to the chairman.

Senator WEBB. Thank you, Senator Ayotte.

Actually, I am going to get into that. So I welcome you participating when I do.

I have one other little item that I would like to raise now, and there may be other questions that I or other members will submit for the record. They will have until close of business tomorrow in order to do so.

I want to follow on what Senator Ayotte just said.

Before I do that, Dr. Rooney, last year Secretary of Defense Gates made a decision to eliminate, reduce, or reallocate 140 general and flag officer positions. We held a hearing on that issue, as you may recall. Can you give us an update on the status of that?

Dr. ROONEY. Yes, sir. As of now, we have eliminated 49 of the positions. As you are aware, this is a process that we expect between now and 2016 to reach the number that you indicated. But right now we are at 49. We are expecting, as we continue the draw-down in our overseas operations, that we will continue to actually increase that number of those that have been eliminated or reduced.

Senator WEBB. So you are continuing the process that was begun when Secretary Gates initiated it.

Dr. ROONEY. Yes. In fact, Secretary Panetta was affirmative in his support for continuing that process.

Senator WEBB. All right.

Now, I would like to follow on to what Senator Ayotte said and add some of my own concerns here, as I did in the full committee hearing about a week ago.

First, I have said many times—I think all of you know that—that I believe whether there is a specific contractual obligation or not, when someone has served a full career, we have a moral obligation to provide them with lifetime medical care. Would you agree or disagree?

Dr. ROONEY. Sir, I believe we have to offer the best medical care possible in respect of their service, yes.

Senator WEBB. Secretary Woodson?

Mr. WOODSON. Yes, I do believe we have a responsibility particularly for the wounded, ill, and injured to provide long-term lifetime medical care.

Senator WEBB. What about for those who serve a career?

Mr. WOODSON. I think we have an obligation to provide them with a benefit package that is very generous and reflects their sacrifice and service.

Senator WEBB. Thank you. That kind of defines the struggle that we all have here. And I know how difficult it has been to put together these numbers.

Secretary Woodson, I want to go back and examine the percentage that you raise with respect to 1996 versus today. I want to just have my staff take a look at that and get back to you, and I may have some further questions about how that number was arrived at.

I would like to put up a chart that you had in your written testimony over here because this is another piece of the reality, and that is that if you look at cost per enrollee in the system, that cost has grown at pretty much the same pace as civilian health care. As I have said many times, our health care difficulties, as we have seen from the last 3 days in the Supreme Court, is a national problem. It is not a DOD problem. It is a challenge for all of us. But we are pretty much seeing the same percentage increase if you use 2005 as a baseline as we have seen nationally. Is that a correct statement?

Mr. WOODSON. That is correct. And thank you for putting up that chart because I have the very same chart.

Senator WEBB. Actually, I just said we took that chart from you, and I think it is a great starting point for this discussion.

Another clarification is, as far as I know, when we summarize the costs even for TRICARE for Life, we do not take the costs of Medicare B and apply it when you are looking at the health care costs inside DOD. Right?

Mr. WOODSON. Let me make sure I understand your question.

Senator WEBB. Let me be clearer. When a retired servicemember reaches the age of 65, they are required to sign up for Medicare B before they can get TRICARE for Life.

Mr. WOODSON. That is correct.

Senator WEBB. And the cost of Medicare B—just to summarize, when you reach the age of 65, you are automatically entitled to Medicare A. But you have to elect to get Medicare B. It is wider coverage. But for a retired servicemember who wants TRICARE for Life, the DOD benefit, they are required to sign up for Medicare B.

Mr. WOODSON. That is correct.

Senator WEBB. And when we look at the increase in the costs or the percentage increase in the costs inside DOD, we do not factor in Medicare B. That is a total separate account. Correct?

Mr. WOODSON. That is correct, but remember 90 percent of folks will and have taken Part B. And TRICARE for Life represents that wraparound insurance for that other 20 percent, which includes a Part D, which is a pharmacy benefit. And remember prior to 2001 when TRICARE for Life came on board, many folks were paying independently for that wraparound insurance. So you are correct in your statement about Part B, but most folks will be paying Part B anyway.

Senator WEBB. Medicare B is a very expensive program, and we do not count that when we look at the cost of TRICARE in terms of DOD funding. Correct?

Mr. WOODSON. That is correct.

Senator WEBB. And can you put up this other chart?

If you are looking at this from the perspective of a retired servicemember—I kind of spoke to this in a full committee hearing. But when you are on active duty, obviously all your medical care is provided for. When you retire before the age of 65, presently you are at where the red marks are on this line. You hit 65. You are where that far right bar is in terms of how much you are required to pay in. The blue represents the proposal from DOD for the increases in TRICARE.

So if you are somebody out there, having retired, looking at what it is going to cost you for health care, you are seeing, first of all, as Senator Ayotte pointed out, a significant jump with the proposals from DOD, but if you are over here past 65, you are seeing just a really large, sudden expenditure.

Mr. WOODSON. Yes. Thanks for bringing this up because this is an interesting chart. First of all, it does not include the average out-of-pocket costs. And the figures you have given there, where you are looking at a premium of \$7,000 or a cost \$7,672 dollars, represents the upper tier of folks who pay Part B. They would have to be making \$428,000 a year in order to pay that premium.

Senator WEBB. The couple, not the individual. Actually if you will see the first line there, that is the lowest tier. And also, let us remember if somebody is on that upper tier, they are also paying Medicare again for the money that they are making. They are paying three times. They are paying Medicare B. They are going to be paying TRICARE, and they are going to be paying Medicare on the income that they are making.

Mr. WOODSON. Yes, but the important issue, in terms of the optics relative proportion, is that Medicare Part B—they do not start tiering until about \$170,000 a year. So you are really talking about an upper echelon.

The other thing about the chart is, again, you are not talking about total out-of-pocket costs. And that is why the differential looks so wide there. If you looked at the other out-of-pocket costs, you would see that it would not be as—

Senator WEBB. Well, actually that goes to another point, and then I am going to let Senator Ayotte follow on here, and that is that people who think that the TRICARE fee by itself is all that somebody is paying is not correct. For instance, if you are talking about TRICARE standard, you pay a 25 percent cost share after pay your fee. So when people are talking about the notion that the amount that our retirees are paying for health care is very small, I agree with you that is not reflective of the amount that they are paying.

Mr. WOODSON. And that is exactly why we talk about cost share because that takes into account the relative out-of-pocket costs, and so the statistics I gave you before were correct, that in 1996 the relative contribution cost share was 27 percent. It has dropped to about 10 percent, even less if you look at prime. And what we are talking about is a rebalancing so that even in 2017 and beyond, the relative cost share is only going to be about 14 percent, which is about half of what it was originally. So you have to talk about out-of-pocket costs.

Senator WEBB. Right. We will look at your figures.

Mr. WOODSON. Oh, absolutely. We can provide you details on that.

Dr. HALE. Could I just add one more point that I think is important to this comparison? Although we should not copy the civilian system, we need to keep it in mind. Good Medigap coverage for a couple is probably \$4,000 a year. We are talking in TRICARE for Life at the highest tier of \$900, at the lowest tier for \$22,000 and less, more junior retirees, \$300. It is meant to be generous. I think that is right. But I think we have got to keep this in mind. This is a dynamic health care system, and we have to make some of those or—

Senator WEBB. Well, I mean, look, that is in addition and in addition to—

Dr. HALE. Yes, but it would be in addition for civilians as—or for the civilians as well. They would be paying that \$2,000—

Senator WEBB. What we are talking about an obligation to provide them medical care for the rest of their life based on a compensation package that begins the day that they enlist and is amortized over the rest of their life. It is not a direct comparison in my view.

Now, we are going to continue this probably for the next 4 or 5 months. But I appreciate your views and you have heard mine.

Dr. HALE. Okay. I understand. May I ask one more thought? And that is, you keep this in the context that we owe them not only good medical care. We have got to provide training and equipment for them, as you know a lot better than I do given your military service. We have got to have a balanced package as we respond to the—

Senator WEBB. I totally agree with that, but what I am saying to you is you cannot renegotiate the front end once the back end is done. This is an obligation that has been made to people whose military careers are now done. And if you want to reexamine the whole compensation package, that is something that actually is on the table.

Senator Ayotte.

Senator AYOTTE. I would agree very much with the chairman on this. Just in terms of what we are talking about, as far as a comparison, I mean, there is a reason that in President Lincoln's second inaugural address he said that we have a duty. Really, we have to bind up our Nation's wounds to care for him who shall have borne the battle and for his widow and his orphan. This is different than the rest of the population in terms of what they have sacrificed and what they have put on the line for us and what they were promised. I mean, what is it that they expected in all this? So I think that that is what we are talking about here.

What bothers me about this is that the reason that you are here in this position is that—let us face it. Something like the Budget Control Act—you came with us last year to ask for TRICARE increases, and that was not easy. Was it, Secretary Hale? That was a difficult question. I know you did not get everything you wanted.

Dr. HALE. We appreciate your support.

Senator AYOTTE. No, exactly. And we supported you on that. And you are back before us this year.

In the context of what we are looking at with something like the Budget Control Act, you have been handed a number. You are under additional budgetary pressures. Health care costs are rising in every sector. But we have not, as a Congress, dealt with the 60 percent of the spending that is going up in Federal spending that includes Medicare, that includes Medicaid, that includes the mandatory programs. I understand why you are here before us.

I do not think, though, that we should put that, if we do not show the courage to deal with the entire budget—to really put a significant increase and burden after we just did an increase last year on this group of individuals who have served our Nation given what they had as anticipation when they came into service, as Senator Webb has said, and where we are making these changes. So that is one of the overall concerns I have about this.

And I understand that you were handed a number in the Budget Control Act. Would you be here asking for these increases immediately after you got some last year but for the Budget Control Act?

Dr. HALE. I suspect the answer to that is no, but the Budget Control Act is a law that you passed and we do need to be consistent with it. My worry is that if we choose not to make these decisions, we will have to take it out of force structure and investment, and I believe that we have already, consistent with the strategy, done what we should there. It is actually quite disproportionate toward the investment side and very disproportionate on the low side for personnel. So if you do not support this, I am not sure where we go.

Senator AYOTTE. But my point in the bigger picture in all this, which is really not your fault that you are put in this position—the bigger picture in this is that because in Congress we are not looking at the whole picture, that you are in a position where you are handed the Budget Control Act, you are coming before us, you are going to ask for these health care increases after just having increased TRICARE last year. And I think that we also on our end, to put this a little bit on us, that we have to take on the big picture here or we are going to be in a place like sequestration. We are going to be in a place where there is no question reductions are going to happen to our military with withdrawal from Iraq and drawdown in Afghanistan. But you are here. It is troubling to me that we are going to take it out of that group first instead of dealing with the big picture of our budget problem.

Dr. HALE. I would love a grand budget deal.

Mr. WOODSON. But the truth of the matter is we are not taking it out of that group first. As Secretary Hale said in his opening statements, while personnel costs at 30 percent—when the Secretary laid out the policies and procedures for looking at the budget, 90 percent came from troops, weapons programs, ships, planes. 10 percent came from personnel costs, and the truth of the matter is these TRICARE fee adjustments represent only slightly less than 5 percent.

Senator AYOTTE. I do have one substantive question. You received the GAO report which recommended a consolidation among the services of health care as a way of a significant cost saving measure. And I do not see that in all of this. I do not see a significant move in terms of changing and consolidation in trying to look

at other ways where we could save money in health care. In fact, the GAO recommended that you could achieve between \$281 million and \$460 million in annual savings from that. So have we gone down that road at all?

Mr. WOODSON. Yes. So you may be aware that we delivered to Congress the required report to Congress in the NDAA looking at the restructuring of the military health system. And you know, we were ready to move out on that last fall when at the 11th hour, we got a prohibition in the NDAA saying that we could not make any changes in the military health system. So we have gone down that path in terms of analyzing what we need to get the greatest amount of efficiencies by looking at common business practices and common service orientation.

And I would suggest to you again that as much as we are bringing focus and energy to reorganizing the structure of the military health system—can we put up chart 1 please? You need to understand that headquarters functions actually represent only about 2 percent of budget, and we affectionately call this slide “the planet slide” because it shows the relative amounts of money in the budget. And if you look to the far right, that really represents headquarters function, and where we spend the bulk of the money is actually in delivery of care and private sector care and maintenance—

Senator AYOTTE. So I apologize. I will grab that report and look at it right away. So is this something you would still want to do?

Mr. WOODSON. Absolutely.

Senator AYOTTE. And if you did it, could you also not have to ask for the increases that you are asking for?

Mr. WOODSON. The answer is no because if you look at that slide, again headquarters function, while we want to squeeze that lemon very hard, only represents about 2 percent of really our costs. So the headquarters function is not going to get us to where we need to go.

The other thing that you have to remember is that it is about putting the program on a sustainable course so that it will be there for future generations and men and women who stand up and raise their right hand and say I will protect and defend, that a benefit will be there, a generous benefit will be there, to take care of their lifelong needs and medical care. The issue is that because we have had prohibitions for 16 years, we actually are far behind the curve and not on a sustainable course.

Put up number 4 there, please.

And I want to show to you how dramatic this is. So if you look at particularly the private sector—and I know we do not want to talk about comparisons—over the course of the last decade or so, contributions to premium costs in health care have gone up 168 percent. Premium costs have gone up 160 percent. If you look at the blue line at the bottom, you can see that there has been no increase until last year when we had these very modest increases of \$2.50 per month for singles and \$5 a month for families.

The issue is that we have not been on a sustainable course, and we need to certainly slightly rebalance it. With all of the proposals, we will not go back to what was the original agreed upon cost share. We will only be at half of that, but we will be on a more

sustainable course. This is about a national security issue that goes on for decades.

Senator AYOTTE. This in my view—I mean, with all respect to the private sector, they do not endure what our soldiers do in battle—

Mr. WOODSON. I understand. Got it.

Senator AYOTTE.—or shot at—

Mr. WOODSON. Got it.

Senator AYOTTE.—you know, the things that they have to experience. So I do not find the comparison good.

And I think that if we as Congress would actually say that this is a commitment we want to follow through on, that we could find a way to do it if we are willing to take on entitlements, if we are willing to take on the rest of the budget rather than you all trying to find a way to pass this on to our veterans in the first instance. That is my big-picture concern here.

But I understand that health care is going up everywhere, but I do not find the comparison the same.

Senator WEBB. Let me just sort of have the final word here—  
[Laughter.]

Senator WEBB.—seeing as I have the gavel.

Just a couple of things. This is almost going the way that the lawyer hearing went when we had all the JAG's up here. You know, it is going for another half hour.

We will have further discussion about this and we will actually want to come back to you again, Secretary Woodson. And there are some data that I may want.

But let me just make two final points here in terms of where our concerns are. Let me make three.

First, I understand the hand that you are dealt. You know, I spent 5 years in the building. I was on the Defense Resources Board for 4 years. I understand the hand you are dealt.

Number two, I understand the notion of getting a sustainable course. The difficulty here is if you are going to look at the back end after someone has completed their career, that is a different situation than analyzing the whole context of the moral contract that goes into service. That is a concern.

And then thirdly, the reason I put that chart up there with Medicare B is I do not think there are very many members up here who understand that a military retiree has to buy into Medicare B before they get TRICARE for Life. They do not understand that. They see the little bar at the very top, the red part of the bar. They do not understand the blue part. I think I got that right. And so it is an important part of the decision process up here when people look at that because it does not show up in the DOD budget, but it does show up in somebody's bank account.

So we will continue this discussion. Again, I very much appreciate you all coming to testify today.

And this hearing is adjourned.

[Whereupon, at 3:39 p.m., the subcommittee adjourned.]