

Stenographic Transcript  
Before the

Subcommittee on Personnel

COMMITTEE ON  
ARMED SERVICES

## **UNITED STATES SENATE**

TO RECEIVE TESTIMONY ON POTENTIAL BUDGETARY  
EFFICIENCIES ACHIEVED THROUGH IMPROVEMENT TO  
MANAGEMENT AND PLANNING PROCESSES WITHIN  
DEPARTMENT OF DEFENSE PERSONNEL PROGRAMS

Wednesday, July 26, 2023

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1 TO RECEIVE TESTIMONY ON POTENTIAL BUDGETARY EFFICIENCIES  
2 ACHIEVED THROUGH IMPROVEMENT TO MANAGEMENT AND PLANNING  
3 PROCESSES WITHIN DEPARTMENT OF DEFENSE PERSONNEL PROGRAMS  
4

5 Wednesday, July 26, 2023  
6

7 U.S. Senate

8 Subcommittee on Personnel

9 Committee on Armed Services

10 Washington, D.C.  
11

12 The subcommittee met, pursuant to notice, at 4:03  
13 p.m., in Room 106, Dirksen Senate Office Building, Hon.  
14 Elizabeth Warren, chairman of the subcommittee, presiding.

15 Subcommittee Members Present: Senators Warren  
16 [presiding], Blumenthal, Kaine, Scott, and Budd.  
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1           OPENING STATEMENT OF HON. ELIZBETH WARREN, U.S.  
2 SENATOR FROM MASSACHUSSETTS

3           Senator Warren: This hearing will come to order.  
4 Good afternoon. I want to welcome our witnesses for  
5 today's personnel subcommittee hearing. And I want to  
6 offer a very special thank you to Ranking Member Scott for  
7 helping on this committee and doing it on rather short  
8 notice.

9           And also, for our other members for joining us as we  
10 examine opportunities to save money at the Pentagon.  
11 Members of Congress, and this committee in particular, have  
12 a responsibility to root out waste and price gouging in  
13 Pentagon spending.

14           We owe it to the men and women of the military who  
15 rely on us to fund the equipment activities they need to  
16 defend us, and we owe it to the taxpayers who foot the  
17 bill. I don't think it will be a surprise to anybody when  
18 I tell you, we have a lot of work to do on this front.  
19 This year, the Department of Defense requested \$842 billion  
20 in funding.

21           And just last month, negotiators had barely agreed as  
22 part of the bipartisan deal to lift the nation and avoid  
23 default on the nation's debt, to limit this year's  
24 Department funding to only 100 percent of the amount that  
25 the Department actually requested in the budget, while the

1 defense industry howled that \$842 billion was simply not  
2 enough.

3 Now, some of my colleagues have already pledged that  
4 by the end of the year they will pass a supplemental budget  
5 to give the Department of Defense more money and are  
6 currently drawing up plans for billions more in spending.  
7 If another huge supplemental is approved by Congress, the  
8 total could be the largest Pentagon budget since World War  
9 II.

10 I support funding our military so that it can do its  
11 job to keep Americans safe. I support making sure that  
12 servicemembers have the pay and benefits they deserve and  
13 the high quality equipment they need to do their work  
14 safely.

15 I support adequate resources for the whole Department  
16 of Defense to operate without cutting corners. I support  
17 ensuring that Ukraine has the support it needs from the  
18 United States to resist Russia's illegal war.

19 But reports from Pentagon watchdogs and budget  
20 experts, both inside and outside Government, have  
21 repeatedly shown that there are serious problems at the  
22 Department of Defense with wasting taxpayer dollars.

23 Reports from the Government Accountability Office, the  
24 Department of Defense Inspector General, the Special  
25 Inspector General for Afghanistan Reconstruction, the

1 Congressional Budget Office, the Cost Assessment and  
2 Program Evaluation Office, I have now run out of fingers,  
3 and the Pentagon's own auditors have all identified  
4 billions and billions and billions of dollars that do  
5 nothing more than line the pockets of giant defense  
6 contractors, often with little or no oversight from the  
7 Pentagon.

8       When the Department of Defense comes to Congress to  
9 ask for more money, we should be asking why they aren't  
10 putting in place a few basic oversight tools to stop  
11 defense industry price gouging.

12       Before DOD gets another dollar, they need to put  
13 checks in place to stop paying \$1,500 for a medical device  
14 that can be purchased at Wal-Mart for \$192. And just stop  
15 paying \$1,800 for vaccines that everyone else pays \$125  
16 for. Pentagon officials themselves estimate that savings  
17 just from tightening up our practices in hiring  
18 contractors, just that one area alone, would be about \$44  
19 billion over ten years.

20       Before we provide more money to the Pentagon, DOD  
21 needs to explain to the American people why it is failing  
22 to implement basic safeguards regularly employed by both  
23 families and businesses. This hearing will focus on a few  
24 of the key findings from budget experts. I appreciate  
25 their willingness to appear as witnesses.

1           They have identified cost savings across the  
2 Pentagon's work. But because this is the Personnel  
3 subcommittee, we are going to focus today on issues of  
4 waste related to how DOD buys personnel related goods and  
5 services.

6           I will note as a measure of how little Congressional  
7 oversight there has been, and how determined Senator Scott  
8 and I are to reel this back in, that this is only the  
9 second time in the last 15 years that the Inspector General  
10 has been invited to testify before this committee. Before  
11 turning to our witnesses, let me briefly highlight two key  
12 problems in this subcommittee's jurisdiction that clearly  
13 require Congressional oversight.

14           First, DOD fails to prevent price gouging by private  
15 defense contractors, period. There is no real dispute  
16 about this. One report after another from independent  
17 Inspector General has documented that DOD contracting  
18 officers agree to pay excessive prices without asking  
19 companies for justifications and that companies delayed or  
20 refused to provide cost data when requested.

21           Without that pushback, the U.S. taxpayer is just a  
22 sitting duck for defense industry price gouging. By now,  
23 most people know that over-the-top price gouging occurs on  
24 spare parts and weapons systems. Earlier this year, I  
25 called out Boeing for its failure to provide basic cost

1 data for almost 11,000 items.

2 In other examples where that price data has been made  
3 public, we learned that Boeing charged the Army \$71, \$71  
4 for a pin that should have cost \$0.04. In another case,  
5 they charged nearly \$1,700 for a ramp gate roller assembly  
6 that DOD could have purchased for \$8 -- \$1,700 for \$8 item.

7 A recent investigation by 60 Minutes found that even  
8 after adjusting for inflation, we are paying seven times  
9 more for each missile we send to Ukraine than we paid in  
10 the 1990s. But price gouging isn't limited to spare parts  
11 and weapons systems. It also happens when DOD is paying  
12 for health care.

13 This week I wrote a letter to the Defense Health  
14 Agency highlighting pricing on health care items. For  
15 example, DOD was paying \$1,500 for breast pumps that Wal-  
16 Mart sold for less than \$200. The agency was paying over  
17 \$1,800 for vaccines that could be purchased for \$125.  
18 Multiply that price gouging by the high volume of  
19 purchasing in the military, and it is clear that taxpayers  
20 are getting seriously ripped off.

21 Another way that taxpayers get gouged is through its  
22 contractor workforce. Our nation's defense is often  
23 supported through contractors who feed our troops, house  
24 our military families, transport needed equipment, and  
25 perform a wide range of tasks that in past years were

1 either done by active duty military or by civilian  
2 employees.

3 Over the past quarter century, DOD spending on service  
4 contracts has more than doubled, reaching over \$205 billion  
5 in Fiscal Year 2022. This has created a huge industry of  
6 military contractors, turning them into billion dollar  
7 businesses. But in many cases, hiring a contractor cost  
8 more than simply paying a Federal employee to perform  
9 exactly the same function.

10 At a minimum, DOD should be examining each contract to  
11 make certain the prices are reasonable and that the work  
12 cannot be done directly by Federal employees for a whole  
13 lot less money. But that is not what is happening.  
14 Instead of carefully reviewing each Government contract,  
15 the GAO has determined that DOD does not even know how many  
16 contractors it has and does not effectively analyze long  
17 term costs.

18 DOD has failed to safeguard taxpayer money, and it has  
19 opened the door to price gouging by Government contractors.  
20 It is DOD's job to stop these rip offs. As I noted  
21 earlier, this hearing will focus on cost savings and the  
22 jurisdiction of this subcommittee. We will also primarily  
23 focus today on places where DOD can use authorities it  
24 already has.

25 But let me be crystal clear, if the Pentagon wants



1 more funding this year, above 100 percent of their budget  
2 request that has already been fulfilled by Congress, then  
3 Congress should at a minimum give DOD more access to cost  
4 and pricing data from contractors, tie any increases in  
5 upfront payments to contractors to requirements that they  
6 deliver goods and services on time, remove a requirement in  
7 current law that military services must send Congress  
8 pricey wish lists for extra spending on top of their annual  
9 budget requests, require contractors to disclose changes in  
10 average prices and gross margins, and require any DOD  
11 component that fails to pass an audit to return 1 percent  
12 of its budget back to Treasury.

13 For many of these proposals, bipartisan legislation  
14 already exists to make these changes. If other Senators  
15 want to dump more money into the Department of Defense on  
16 top of fully funding the budget they already have, then  
17 they should also support including these commonsense  
18 measures to fight back against price gouging.

19 So, I am pleased that we are here to talk about this,  
20 and I call on Ranking Member Scott for an opening  
21 statement.

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1           STATEMENT OF HON. RICK SCOTT, U.S. SENATOR FROM  
2 FLORIDA

3           Senator Scott: First off, thanks for being here. I  
4 want to thank Chairwoman Warren for doing this. You know,  
5 I am a business guy, so, you know, you have to invest to  
6 get what you want done, but you sure as heck don't want to  
7 waste any money. And the easiest way to spend money on  
8 something is through savings. It is just -- I mean, it is  
9 a lot easier than have to come up with new capital or  
10 borrow more money, whatever you are doing.

11           So, I want to thank Chairwoman Warren for doing this.  
12 And we have talked about doing another hearing in, I think,  
13 September, so anybody that has any -- I think, we want to  
14 hear from other members if they have anything they want to  
15 talk about. But there has to be a hell of life savings  
16 here, right?

17           The Department Defense is the nation's largest  
18 employer. Over 2 million people serve in our military in  
19 either an active or reserve capacity. We have got another  
20 824,000 people who work as DOD civilian employees. An  
21 additional 800,000 people support the DOD through contract  
22 mechanism.

23           That is a lot of people. Between military personnel,  
24 civilian employees, contracted labor, nearly 50 percent of  
25 the total defense budget is spent on the DOD workforce,

1 which in Fiscal Year 2023 equates to more than \$400  
2 billion. They are Americans. It is not just money in  
3 numbers.

4 They are serving our country, and I think every one of  
5 them probably feels like they have a good, important  
6 mission to get done. Each one of them is the reason why  
7 the work of this subcommittee is so important. There has  
8 been plenty of talk in Washington that have excused the  
9 waste and inefficiencies of the Department of Defense,  
10 saying, oh gosh, it is a big place. I don't know if you  
11 can really do this there.

12 I think most of us think that is pretty ridiculous.  
13 We all have to do it in our homes. We have to do it in our  
14 businesses. Our families are doing it every day,  
15 especially at a time where we are seeing ridiculous  
16 inflation. So, I think that we can figure this out, and  
17 there are ways to save a lot of money. I used to be in  
18 business at one time. I ran the seventh biggest U.S.  
19 employer. We had to do it every day.

20 We had to keep coming up with efficiencies. None of  
21 our customers says, gosh, I want to give you more money.  
22 And none of our shareholders said, we would like you to  
23 give us less of a return. So, we had to constantly come up  
24 with this. In matter of fact in my -- in some of the  
25 manufacturing companies I had, by contract, by written

1 contract, every year I had to cut 2 percent of my price --  
2 my cost, by contract.

3 So, every year I was required to get 2 percent  
4 productivity gains or make less money. And nobody wanted  
5 to get paid less. Nobody went to make less. So, you just  
6 had to do it. So, you can -- this is all -- it is all  
7 doable.

8 I just want to thank you guys for what you do. I have  
9 only been up here four and a half years, but I think every  
10 one of what -- every one of your agencies actually is a  
11 real help to what we do in our jobs.

12 The report you put out, the information you put out is  
13 actually very helpful to me. I think the DOD is in  
14 desperate need of real, thorough, and consistent audits. I  
15 can't imagine not doing an audit, a thorough audit. And  
16 also, in the private sector when you have an audit and  
17 there has -- there is anything in the audit that says we  
18 need to fix it, you have to fix it, you have to fix it.

19 Your shareholders are going to hold you accountable,  
20 and you are not going to keep your job if you don't go  
21 through that audit and try to eliminate as many, if not all  
22 of the problems in the next -- before the next audit, not  
23 in five years. The next audit, you had to try to get  
24 anything that was in there, and you had to get a clean  
25 audit, or you could -- if you are the CEO, you would not

1 have a job.

2 I think we have got to make sure that -- this is a lot  
3 of money. We want to have a lethal military. We want to  
4 support our military. But it has got to be done where we  
5 don't waste any dollars.

6 This is not about cutting spending. It is about  
7 spending money efficiently and making sure that whatever we  
8 spend, it means we are going to take care of our service  
9 members and we are going to have the most lethal force  
10 possible, so hopefully nobody ever wants to do anything  
11 against us.

12 I don't think it's a hard concept. I think we all do  
13 it every day in our life. The more efficiencies we can  
14 find -- either we can save money for the taxpayers of this  
15 country, or we can make bigger investments to make sure we  
16 have a better military. We can't -- so I don't think any  
17 of us want to slow down our investments in defense, but  
18 also understand that we shouldn't be doing things that we  
19 don't get a return on.

20 And we ought to be -- we ought to be hell bent on  
21 getting that done. We also have to understand that it is  
22 getting harder and harder to recruit in the military, so  
23 everybody there is more and more important. We are  
24 spending -- if you look at it, just like in companies, we  
25 are spending more dollars training people now than at any

1 time. When my dad went in, he was, you know, he was an ace  
2 in Airborne.

3 They just sent him to the front lines. I don't know  
4 how much training he got. I got a little bit, and then  
5 swabbed the decks, cleaned the latrines a lot. Today, I  
6 think they are getting a lot more training than when I got  
7 when I was in. In a perfect world, our service members  
8 would be used exclusively for military specific tasks.

9 But some jobs need to be done, and uniformed service  
10 member is the only person available to do it. But I agree  
11 with Chairman Warren, there is -- we use a lot of civilians  
12 for -- and we -- it just can't cost as much money.

13 I mean, you come up here and you see how many  
14 companies have just been created by provide services to  
15 sometimes it is our Federal Government, sometimes it is  
16 just our military. And the margins on this stuff. I mean,  
17 we didn't make margins in the business I was in that were  
18 like this.

19 We have got to make it easier for our service members  
20 abroad to find fulfilling work for their supporting  
21 spouses. I was just traveling, and we had one individual  
22 that was telling me that she had a very well-trained  
23 husband and couldn't get a job where they were.

24 I mean, there is some this crazy rule that was  
25 preventing -- when I was Governor of Florida, we tried to,

1 and I am sure Senator Kaine did the same thing, you are  
2 trying to make your State the most military friendly State,  
3 and so you figure out how do you wave everything you can so  
4 all the spouses can get a job because it has a big impact  
5 on these, the ones that serve there, but also their  
6 livelihood every day. And we can't pay exorbitant salaries  
7 for our military.

8 So, a lot of their spouses have to make a decent  
9 income to survive. I recently heard -- so this was just  
10 about the spouse, I guess there is -- with some of the  
11 individuals overseas, they apply through U.S. Jobs. So,  
12 but it is difficult that they can't get jobs overseas to do  
13 telework in the United States. I mean, that is -- I mean  
14 some of the stuff just doesn't make -- it just doesn't make  
15 any sense.

16 We got to make this all easier. I think we have got  
17 to do a review of any -- of all of our laws governing  
18 Federal civil service. We want to make sure that it works  
19 like the private sector. You want to be able to hire  
20 people when you want to hire them as quickly as you can,  
21 but you want to be able to hold people accountable.

22 Because if you can't hold people accountable, then  
23 unfortunately you end up with the bad actors, not with the  
24 best employees. And that is not -- no one wins in that  
25 situation. I think both Republicans and Democrats have

1 proposed things over -- just even since I have been up  
2 here, to try to make that better, but often there is some  
3 special interest to try to prevent that. So hopefully we  
4 can go through all these things.

5 And I am actually, I think this is going to be a good  
6 hearing, but I think there is more to be done to try to  
7 find efficiencies and force these efficiencies so we can  
8 make sure we make good investments. Thanks for being here.  
9 Thanks for what you do because your reports are really  
10 good.

11 Senator Warren: Thank you very much. Terrific  
12 opening statement. So, I also want to say thank you to our  
13 witnesses for appearing and thank you for your work. We  
14 are going to have one panel today that is composed of  
15 Government watchdogs and budget experts.

16 Mr. David Mosher, the Assistant Director for National  
17 Security for the Congressional Budget Office, is with us.  
18 Mr. Michael Roark, who is Deputy Inspector General for the  
19 Evaluations Component of the Department of Defense  
20 Inspector General.

21 And Ms. Elizabeth Field, the Director for Defense  
22 capabilities and Management at the Government  
23 Accountability Office. Thank you all again for appearing  
24 today. Mr. Mosher, you are recognized for five minutes for  
25 an opening statement.



1 STATEMENT OF DAVID E. MOSHER, ASSISTANT DIRECTOR FOR  
2 NATIONAL SECURITY, CONGRESSIONAL BUDGET OFFICE

3 Mr. Mosher: Thank you very much, Senator. Thank you,  
4 Senator Scott and the committee for inviting me to come  
5 testify. I appreciate the opportunity to talk a little bit  
6 about reducing DOD's compensation costs.

7 The size of DOD's compensation budget actually is not  
8 very well defined. I know we have a nice pie chart there,  
9 and the challenge is like, what is that \$205 billion  
10 number? So, it is not well-defined.

11 It is better defined on the military side and on the  
12 civilian compensation side, but definitely in the biggest  
13 hole and is the biggest uncertainty is service contractor  
14 workforce, and that is because DOD really collects and  
15 publishes very incomplete data about that workforce. DOD's  
16 total workforce consists of three types of labor, military  
17 personnel, both full -- full time and part time, Federal  
18 civilians, as well as service contractors.

19 DOD refers to this is their total force. It is  
20 something you try to manage and balance and get the right  
21 capabilities to the right needs. Compensation for the  
22 three types of labor is largely found in the military  
23 personnel account, as well as the O&M account, although  
24 there is some -- operation and maintenance -- although  
25 there is some in the R&D account as well.

1 I am focusing on service contract labor, and just to  
2 be clear here, these are contractors who are personnel who  
3 are hired by private companies under service contracts  
4 awarded expressly to augment civilian and military  
5 personnel within DOD. Service contractors provide a wide  
6 range of activities.

7 As you alluded to, Senator Warren, you can't go to a  
8 military base without running into a large number of  
9 service contractors doing very important functions. So  
10 just to be clear, though, I am not talking about people who  
11 are hired by companies who produce goods and weapons that  
12 the Department buys. I am focusing on that -- that other  
13 group. So how big is DOD's workforce? We actually don't  
14 know.

15 We know that DOD plans to have at the end of this year  
16 about 2.2 million full time personnel, 1.4 million on the military  
17 side and about 800 million on the civilian side. But there  
18 is no centralized accounting for the service contractors,  
19 and estimates range widely from sort of 250,000 was the  
20 number that CRS published a year or two ago, to numbers  
21 that are two to three times that amount.

22 But we don't know. And on that higher end, it rivals  
23 the duty civilian workforce in size. What is the cost of  
24 DOD's workforce? Again, we don't know. We can't get all  
25 the pieces of it. Roughly one-third of annual -- DOD's

1 annual budget is devoted to compensation for military and  
2 civilian personnel working directly for the Department.

3 That is about \$279 billion in 2023. If you include  
4 service contractors, that number could be, as Senator  
5 Warren suggested, close to half of DOD's annual budget. We  
6 can't be more precise in -- precisely because we do not get  
7 data from DOD that allows us to do that, in the same way  
8 that we get very good data about military personnel and  
9 civilians.

10 DOD, for example, reports that the budget authority  
11 for service contracts in 2022 was about \$95 billion. But  
12 OMB data indicates this number could be as high as \$274  
13 billion. This is for the contract dollars, not necessarily  
14 the labor costs.

15 I will get to that in a moment. We have looked, CBO,  
16 throughout the years at reports at how to reduce DOD's  
17 compensation costs by changing policies mostly. And a good  
18 example of that is our options for reducing the deficit  
19 budget volume we reduce -- we produce every two years. I  
20 have highlighted some of those in my written testimony.

21 But savings from that for these kinds of policy  
22 changes would be roughly \$1 to \$3 billion for each of those  
23 a year over ten years, which is 1 to 2 percent of DOD's  
24 compensation budget for the military.

25 Small changes, but those compound over time with pay

1 raises, etcetera, that can grow into larger savings. DOD  
2 has not been able to -- we haven't been able to look at  
3 that for service contractors. One other thing I want to  
4 note and a very important piece of compensation for the  
5 military are veterans benefits.

6 They are essential to how DOD recruits and retains  
7 staff. It is an important promise that we make to our  
8 servicemen and women. VA's budget requests this year, just  
9 for some context, was \$320 billion. So, it is the highest  
10 it has ever been for 2024 -- about twice the size of DOD's  
11 military compensation budget. And CBO's options, we do  
12 options looking at that, we have come up with options that  
13 range from about \$1 billion a year on average, to more than  
14 \$25 billion a year if you make some policy changes.

15 So, what would be the value of more comprehensive data  
16 on service contractors? First, I think, and my colleagues  
17 from GAO has -- can go into this at great length much  
18 better than I can, but it helps the Department manage its  
19 workforce, to do that, understand where the costs are and  
20 then what the important things are.

21 It also provides some transparency so that if we make  
22 changes, DOD makes changes in personnel policy where it has  
23 more -- where it wants to, say, cut military personnel or  
24 civilians, that you don't see costs grow up in service  
25 contracts in a way that you can't anticipate. If you can't

1 track numbers, it is hard to follow that. And of course,  
2 it helps with Congressional oversight, which is a very  
3 important one.

4 We have some specific suggestions about how to do that  
5 in our about changes we would like to see in the way DOD  
6 reports data to the Congress, and that would help with us  
7 in our analysis and doing -- understanding the service  
8 contractor workforce. Anyway, that concludes my remarks,  
9 and I want to thank you for the opportunity, and welcome  
10 your questions.

11 [The prepared statement of Mr. Mosher follows:]

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1           Senator Warren: Thank you very much. Thank you for  
2 being with us, Mr. Mosher. Mr. Roark, you recognized for  
3 five minutes.

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1           STATEMENT OF MICHAEL J. ROARK, DEPUTY INSPECTOR  
2 GENERAL, EVALUATIONS COMPONENT, DEPARTMENT OF DEFENSE,  
3 OFFICE OF INSPECTOR GENERAL

4           Mr. Roark: Good afternoon, Chairman Warren, and  
5 Ranking Member Scott, and distinguished members of the  
6 subcommittee. Thank you for inviting me to appear before  
7 you today to discuss our important oversight work on  
8 Department of Defense healthcare.

9           Today, I will discuss three reports, two reports where  
10 we identified that additional procedures were needed to  
11 contain healthcare costs, and one report that showed that  
12 the DOD effectively implemented procedures to control  
13 costs.

14           In April 2018, we issued a report on TRICARE payments  
15 for breast pumps and replacement parts. In December 2014,  
16 public law authorized the Defense Health Agency to pay for  
17 manual and standard electric breast pumps and replacement  
18 parts.

19           However, the DHA did not implement maximum  
20 reimbursement rates for standard electric breast pumps and  
21 replacement parts. Instead, DHA paid the amount that  
22 suppliers billed, unless TRICARE regional contractors had  
23 negotiated a rate with suppliers. We determined that the  
24 DHA overpaid \$16.2 million for breast pumps and replacement  
25 parts for TRICARE beneficiaries in 2016.

1           Specifically, DHA overpaid for over 91 percent of  
2 breast pumps and nearly 57 percent of replacement parts.  
3 We made two recommendations to address the deficiencies we  
4 identified. Specifically, we recommended that the DHA only  
5 use suppliers that have entered into agreements and have  
6 fixed reimbursement rates to provide breast pumps and  
7 replacement parts.

8           We also recommended the DHA recoup payments from the  
9 suppliers that billed excessive amounts for breast pumps  
10 and replacement parts. In August of 2019, we issued a  
11 report on TRICARE payments for various healthcare services  
12 and equipment.

13           Specifically, we focused on claims for which the DHA  
14 paid the amount the provider billed, or also known as paid  
15 as billed, for items with high claim costs such as  
16 vaccines, contraceptive systems, compression devices, oral  
17 appliances for the treatment of sleep apnea, charges for  
18 the installation of durable medical equipment, and costs  
19 associated with obtaining stem cells that were provided to  
20 beneficiaries in the TRICARE regions in 2017.

21           We determined that the DHA regularly paid more than  
22 pricing benchmarks for services and equipment where it did  
23 not establish or use existing TRICARE maximum allowable  
24 reimbursement rates. For example, the DHA paid \$3.1  
25 million more than pricing benchmarks for 65 percent of



1 vaccines.

2 We identified examples of the DHA paying more than  
3 pricing benchmarks for other items such as durable medical  
4 equipment and costs associated with obtaining stem cells.  
5 For example, the DHA paid one supplier as much as \$5,000 a  
6 month to rent a vascular compression device, while two  
7 other suppliers rented the same device for only \$700 a  
8 month.

9 We made a total of seven recommendations to DHA,  
10 including identifying the reasons why TRICARE region  
11 contractors were not using the existing maximum allowable  
12 reimbursement rates, reviewing opportunities to implement  
13 maximum allowable reimbursement rates, periodically  
14 reviewing those rates, and updating TRICARE policy.

15 We also recommended that the DHA recoup overpayments  
16 and seek voluntary refunds from TRICARE providers where the  
17 DHA paid more than pricing benchmarks. Finally, in  
18 September of 2020, we issued a special report on the  
19 actions the DHA took to control costs for healthcare claims  
20 associated with COVID-19, including eliminating co-payments  
21 and cost shares for COVID-19 diagnostic testing, clarifying  
22 access to behavioral health services via telehealth, and  
23 implementing temporary TRICARE regulation changes in  
24 response to COVID-19.

25 As a result, managed care support contractors deferred

1 or manually paid claims pending system and pricing updates  
2 and created dashboards to share information and perform  
3 data analytics on health care claims related to COVID-19.

4 The DHA also implemented other initiatives to monitor  
5 that COVID-19 claims were paid and tracked properly, and  
6 that potential -- potentially fraudulent COVID-19 related  
7 services were identified.

8 Through these actions, the DHA reduced the risk of  
9 medical providers exploiting the pandemic for personal gain  
10 and possibly preventing improper payments before they could  
11 occur. This concludes my statement, and I would be happy  
12 to answer any questions you may have.

13 [The prepared statement of Mr. Roark follows:]

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1           Senator Warren: Thank you, Mr. Roark. Ms. Field, you  
2 are recognized for five minutes.

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1           STATEMENT OF ELIZABETH FIELD, DIRECTOR, DEFENSE  
2 CAPABILITIES AND MANAGEMENT, GOVERNMENT ACCOUNTABILITY  
3 OFFICE

4           Ms. Field: Thank you. Chairwoman Warren, Ranking  
5 Member Scott, and members of the subcommittee, thank you  
6 for inviting me to testify on GAO's work regarding the many  
7 challenges and opportunities that DOD faces related to  
8 personnel management.

9           With a total of almost 3 million active duty service  
10 members, reservists, and civilians, not to mention  
11 countless contracted personnel, the Department of Defense  
12 is one of the nation's biggest employers.

13           That also means that DOD's workforce is one of its  
14 biggest cost drivers. In determining personnel  
15 requirements, the charge to defense officials is clear, use  
16 the least costly mix of personnel while ensuring the  
17 workforce is sufficiently sized and comprised of the  
18 appropriate mix of military, civilian, and contractor  
19 personnel with the right skills to carry out the mission.  
20 I want to emphasize that first part, the using the least  
21 costly mix.

22           As you know, the Federal Government is on an  
23 unsustainable long term fiscal path. At the end of fiscal  
24 -- as of Fiscal Year 2022, debt held by the American public  
25 was about 97 percent of GDP. Moreover, the Fiscal Year

1 2022 Federal budget deficit was the fourth largest in U.S.  
2 history. As the largest single category of discretionary  
3 spending, the defense budget deserves scrutiny.

4 At the same time, we know that ensuring DOD can carry  
5 out its mission is vitally important. The military  
6 services are today facing what some have called the  
7 greatest recruiting challenge in a generation, all while we  
8 encounter increasingly complex and bold threats from China,  
9 Russia, and non-state actors.

10 Through our work at GAO, we have identified obstacles  
11 that can hinder defense officials' ability to strike the  
12 correct balance between efficiency and effectiveness in  
13 shaping their workforce. Things like unreliable data,  
14 overly complicated hiring mechanisms, arbitrary staffing  
15 cuts, and antiquated Department processes.

16 We have also identified ways in which DOD could  
17 potentially cut costs by better managing its resources. In  
18 an organization as large and complex as DOD, it can be hard  
19 to appreciate what these challenges and opportunities  
20 really look like, so I would like to briefly offer one  
21 example.

22 The military health system relies on more than 240,000  
23 active duty, reserve, civilian, and contractor personnel to  
24 provide both operational medical care in support of war and  
25 contingencies, and to provide beneficiary care to about 9.4

1 million eligible people. In 2018, we identified weaknesses  
2 in DOD's approach to managing its workforce for both  
3 operational medical care and beneficiary care.

4 For example, we reported that in determining medical  
5 personnel requirements for operational care, the Army,  
6 Navy, and Air Force were relying solely on military  
7 personnel, even though civilian and contractor personnel  
8 had been used in operational settings. We also found that  
9 the military Departments were not considering the full cost  
10 of active personnel compared to reservists.

11 And this is significant because reserve forces are  
12 generally less costly than similar active component units.  
13 In terms of beneficiary care at military medical treatment  
14 facilities, or MTFs, we reported that DOD faced numerous  
15 challenges implementing its planned workforce mix but had  
16 not developed a strategic workforce plan for managing them.

17 For example, we found that DOD had not clearly  
18 determined how it planned to mitigate the effect of  
19 military personnel deployments on MTF operations. In one  
20 instance, we learned that due to overlapping deployments,  
21 eight of nine general surgeons at a military hospital were  
22 deployed at the same time, leading to a gap in coverage.

23 We also found that DOD had not developed a sound  
24 strategy for addressing vacancies in civilian positions, a  
25 problem that has led some MTFs to discontinue providing

1 certain medical care due to patient safety concerns or to  
2 backfill positions with military personnel, which can be  
3 unnecessarily costly and erode morale.

4 We further reported in 2018 that in planning for the  
5 transition of MTFs from the military Departments to the  
6 then new Defense Health Agency, DOD had not validated  
7 headquarters level personnel requirements or conducted a  
8 comprehensive review that considers the least costly mix of  
9 personnel.

10 Although DOD concurred with the many recommendations  
11 we made, the Department has yet to fully implement them.  
12 Doing so, especially now that the MTF transition has  
13 occurred, is even more important for ensuring that DOD  
14 strikes that difficult balance between ensuring medical  
15 readiness and providing sound patient care on the one hand  
16 and cutting unnecessary costs on the other.

17 In fact, GAO has estimated that DOD could save  
18 millions of dollars by implementing some of these  
19 recommendations. Thank you, and I look forward to your  
20 questions.

21 [The prepared statement of Ms. Field follows:]

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1           Senator Warren: Thank you, Ms. Field. Appreciate  
2 your being here and appreciate your testimony. I recognize  
3 Senator Kaine for five minutes.

4           Senator Kaine: Thank you, Chairwoman Warren, and  
5 thank you to our witnesses. I think I am going to make my  
6 comments maybe a little bit more for my colleagues and  
7 -- but also to share with these witnesses or experts some  
8 frustrations I have and why I am glad that the chair and  
9 ranking member have decided to do this hearing and then  
10 hopefully embrace others.

11           I have been very frustrated in my ten years on the  
12 committee about the absence of real analysis of major  
13 initiatives that we undertake within the Pentagon, and I am  
14 just going to use two, military housing, and then the  
15 formation of the DHA and the military medical services that  
16 Ms. Field discussed.

17           The Pentagon made a decision, no doubt, for both cost  
18 and quality reasons in the 1990s, to push a privatized  
19 housing model. It is not our core expertise. Why don't we  
20 let housing companies do it? It is not warfighting, let  
21 others do it.

22           And if they do it, they may be able to save us money  
23 and also offer higher quality accommodations to military  
24 members and families. It has been a pretty big failure,  
25 and I think the failure is more on the Pentagon side of the



1 ledger even than the private provider side of the ledger,  
2 because the contracts that were set up gave the Pentagon  
3 significant oversight responsibility.

4 So, for example, on a base, the base commander was to  
5 hold back payment till the end of the year to some certain  
6 percentage and then decide whether the provider had merited  
7 some, or all, or none of that payment based on performance.  
8 Instead, the pattern was essentially for the base  
9 commanders to just release all the money at year end,  
10 regardless of performance.

11 The contracts with the private providers were set up  
12 so that at some midpoint in these long term contractual  
13 periods, the Pentagon could step back and do an assessment,  
14 are you meeting the needs of our families? If not, we need  
15 to renegotiate the contract. That midpoint came. There  
16 was no renegotiation done.

17 Just steady state, it is now off our shoulders, so it  
18 is on the shoulders of these housing providers, and the  
19 housing providers weren't being incentivized to really  
20 treat our military family members the way that they would  
21 treat commercial clients, because all these providers also  
22 had commercial business.

23 They treat their commercial clients better because  
24 they would leave and go somewhere else if they didn't. But  
25 they started to treat our military families sort of as

1 hostages. We ended up making it worse. We had as a key  
2 theme to the NDAA a few years ago, there was an effort to  
3 push cut in headquarter staff, a non-defined, across the  
4 board cut in headquarters staff without really digging into  
5 what exactly, who are headquarters staff.

6 I fought very hard against an across the board  
7 headquarters staff cut. I was unsuccessful. A couple of  
8 years later, this housing thing blew up in our face, and we  
9 went back and looked at what was the headquarters staff  
10 that was cut. In all of the offices that were charged with  
11 the responsibility of overseeing these housing contracts,  
12 they were losing 30, 40, 50, 60 percent of their staff,  
13 and, you know, surprise, surprise.

14 To quote a famous Marine, Gomer Pyle, surprise,  
15 surprise, when you cut all the housing staff, suddenly the  
16 oversight gets worse, and the quality gets worse. So, a  
17 program that was designed to save money and a program that  
18 hopefully was going to lead to a better result, ended up,  
19 frankly, probably doing neither.

20 And we have had to come in, and we still -- we are  
21 making progress, but we are still not really where we are.  
22 We ought to have great both cost and quality tools to  
23 assess a program like this. Similarly, the different  
24 service branches had their own military expertise. The  
25 decision was made based on a study that was done in 2011 to

1 try to put this together in a combined DHA.

2 I still hear all kinds of constituent complaints from  
3 service members in Virginia and their families about  
4 waiting lists and insufficient access to services from the  
5 DHA. And Ms. Field, you talked about areas where the DHA  
6 is spending more than they need to or having a hard time  
7 recruiting people into key positions.

8 Where I hear about it is from our military members and  
9 their families who have a hard time getting access to  
10 services, particularly in the mental health space. We have  
11 had a raft of military suicides at the mid-Atlantic  
12 Regional Maintenance Center in Norfolk and in ships that  
13 are in dry-dock for extended periods, and often the  
14 availability of mental health services is weak.

15 One of my staffers went on a carrier avail recently,  
16 and on the entire carrier there were two mental health  
17 psychologist positions for this huge group of people, and  
18 one was vacant. My staffer asked, okay, how long is this  
19 position been vacant? For a very long time. Well, what is  
20 the salary that you would pay this psychologist?

21 The salary is \$85,000. You would make so much more  
22 than that having a psychology practice in suburban  
23 Arlington, Virginia, or virtually anywhere in the country,  
24 and you wouldn't have to be deployed on a carrier for  
25 months at a time away from your family. We are not going

1 to fill that position at that salary.

2 So, these are two instances of big initiatives,  
3 transitioning healthcare into a DHA environment.  
4 Transitioning housing from the military provides it, to  
5 let's get the housing experts to do it. Both are  
6 continuing to show major problems. I am not sure either  
7 really produce savings or produce better quality of service  
8 to our military men and women.

9 And so, I don't really have a question for you, but I  
10 guess Senator Scott asked me, do you have some issues that  
11 are on your mind that can inform future discussions?

12 And I would like to know when we embrace these major  
13 initiatives, how do we measure them to make sure they are  
14 doing what we say and how do we maybe get hold of it  
15 quicker if it is going the wrong direction, to turn it in a  
16 positive direction rather than just keep investing in  
17 something that is not bearing out, you know, as it should?

18 So, I will just stop there, but I am really happy that  
19 you are doing this. And I do want to make sure we focus on  
20 the dollars, but I also want to focus on the bang for the  
21 buck. And if the dollars aren't -- you know, are being  
22 wasted and we are not getting the service that we need to  
23 either promote lethality or protect our people, then I  
24 think we have got a lot of work to do, and I appreciate the  
25 committee for tackling this.

1           Senator Warren: Thank you very much, Senator Kaine.  
2   And the reminder, this is the first of more than one  
3   hearing as we try to dig in better on these issues. And I  
4   really appreciate your comments here and the points you  
5   highlight. Senator Scott.

6           Senator Scott: So just to follow up with one other  
7   thing Kaine said. So, I come from a business background,  
8   so my first reaction is, it is not that the business was  
9   bad, right, it is that -- was the structure of the deal  
10  wrong?

11           Was there no accountability? Was there no  
12  measurement? Did it never make, you know -- and we don't  
13  even have a conversation like that. I mean, it is just we  
14  -- it is like we just want to blame somebody, whoever we  
15  want to blame. And we have got to -- it is not something  
16  that should be hard to figure out.

17           And, you know, in business, you have the ability and  
18  there is all these organizations now that you can compare  
19  your costs, all this stuff to somebody else now. I mean,  
20  there is all these comparative groups that you can buy  
21  into. And I wonder, I have never heard of any part of the  
22  Federal Government, especially DOD, ever doing that.

23           So just going back to Mr. Roark, would you -- so let  
24  me ask you a question. So how could -- so I, when I became  
25  Governor of Florida back in 2011, we had a -- our Medicaid

1 program, we made it a -- we bid it out. And the benefit of  
2 doing it is we knew our cost and we also could hold  
3 somebody accountable for access and quality, right, and  
4 outcomes. We, you know, but you had to put all this  
5 measurement in there.

6 So, one thing that surprised me, we didn't have any  
7 program where somebody could say, okay, so I wasn't  
8 responsible for buying after that. They -- you are talking  
9 about breast pumps, I didn't have to buy breast pumps, it  
10 was their responsibility to do that.

11 So how does -- they have a contract with TRICARE, they  
12 bid it out, and then the Government is responsible for the  
13 purchase of equipment?

14 Mr. Roark: So, Senator, in this case, when Congress  
15 passed the law that enabled breast pumps, I think what  
16 happened was that a lot of suppliers, you know, set up  
17 websites and so forth and let military spouses and military  
18 members know that this benefit was available to them, but  
19 they didn't have the prices on there, on the website.

20 And so, then they -- DHA hadn't set up the price  
21 ceiling or the price cap, if you will. And so, therefore,  
22 if there is no price cap in place, then it just goes into  
23 this paid as billed category, as I mentioned in my  
24 statement.

25 Senator Scott: It is outside -- it was outside of the

1 contract?

2 Mr. Roark: Correct. And so, the contractor in that  
3 case just pays as billed. If there is a cap, then they can  
4 only go up to that amount. And I think that that is the  
5 key point here.

6 Senator Scott: Do they do -- they not use any of  
7 these group purchasing organizations? Because I mean, it  
8 is --there is a bunch of them now. Now in fact, you know,  
9 one of my own companies has the biggest in the country.  
10 And I mean all that stuff, you are guaranteed the lowest  
11 price. They don't -- they don't do that?

12 Mr. Roark: So, what we did as the OIG to try to  
13 oversee this particular item is that we went to look for  
14 other benchmarks, like you said. So, whether that is other  
15 Federal health care programs, Medicare, Medicaid, or  
16 whether that is retail prices, you know, we were kind of  
17 searching for, you know, what would be a reasonable price  
18 for these items.

19 However, I think that that is the concern and to some  
20 degree the frustration with the pay to billed model, which  
21 is, you know, there is a competing interest where DHA wants  
22 to get the item out to service members in a timely manner,  
23 so there is the kind of -- some incentive to do that  
24 quickly.

25 But on the other side, we also want to ensure that we

1 get what we paid for, and we pay a fair price. And so that  
2 achieving that balance is critically important.

3 Senator Scott: So, is it in -- your report when you  
4 look at DHA overpayments, was it a little bit of money?  
5 Was it -- and so, you have the numbers on how much it is?  
6 Are we talking about quite a bit of money?

7 Mr. Roark: Correct. So, for breast pumps, the total  
8 amount that was paid in 2016 was about \$28 million. And we  
9 have calculated that the excessive charges or the  
10 overpayments were about \$16 million.

11 Senator Scott: So, what is the total value of DHA  
12 overpayments found by the Inspector General? How much  
13 money -- for everything. Do you have a total number?

14 Mr. Roark: Across the entire health system? I don't  
15 have that number, but I maybe I can speak to these  
16 examples. But again, I think we highlight these examples  
17 as a way of showing that there is much more out there, and  
18 that, you know, great efficiencies could be achieved across  
19 the board if some of these lessons learned are applied  
20 across the board.

21 Senator Scott: Thanks.

22 Senator Warren: So, I really appreciate this  
23 direction on the conversation because it is about what  
24 information is available to us. So here we are, we are  
25 talking about civilian employees, service members, and as



1 we see up here, the contractors.

2 And the idea that when we talk about defense  
3 contractors, most people think about Lockheed Martin or  
4 Boeing, you know, these giant companies that win these huge  
5 contracts to build fighter jets or bombs.

6 But the DOD relies a lot on what it calls service  
7 contractors. These are contractors like Booz Allen,  
8 McKinsey, and CACI, hired to do things like accounting,  
9 legal services, consulting. Over the past two decades, the  
10 Department of Defense has gone from spending about \$100  
11 billion a year on service contractors, to \$205 billion in  
12 2022.

13 And this is the point. It is not quite half of the  
14 entire budget that we are spending, but it sure starting to  
15 crowd in on it. Mr. Mosher, you lead the National Security  
16 Division for the Congressional Budget Office, and you have  
17 decades of experience in budget analysis.

18 We know from public reports that DOD currently employs  
19 2.1 million military personnel and about 770,000 civilian  
20 personnel. And I am going to ask you something I think you  
21 answered in your original testimony, but it is important  
22 enough here. I want to underscore it. Do we know how many  
23 contractors DOD employees?

24 Mr. Mosher: In a word, no. We just don't know yet.

25 Senator Warren: We don't know. And I think I heard

1 you in talking that the estimates that the estimates are  
2 from here -- it is not that we don't know down to the last  
3 person. We don't even know what the ballpark is here, I  
4 take it from what you said that.

5 Mr. Mosher: That is correct. We don't know what the  
6 maximum number is. We -- there is -- OMB provides data in  
7 their object class analysis that gives the size of the  
8 service contracts themselves. One way of cutting it would  
9 be about seven -- what, \$274 billion in 2022, I believe.  
10 But that tells you what the cost of the contract is, it  
11 doesn't tell you either the number of the people or how  
12 much we are paying in labor.

13 So, there will be labor and non-labor costs. One  
14 thing that is -- you know, there are different types of  
15 contracts. There are people who mow lawns and much of  
16 their costs would probably be labor. There are people who  
17 sit in chairs, you know, next to civilians and military in  
18 the Pentagon.

19 Their costs are probably mostly labor. But there are  
20 also service contracts that provide maintenance of tanks  
21 and such like that, where you would expect a smaller  
22 portion of their costs would be labor, and, you know, they  
23 are buying parts. And so --

24 Senator Warren: So here we are spending more than  
25 \$200 billion on service contractors. We don't really know

1 how many people we are hiring or what we are paying these  
2 people.

3 And we accepted the GAO estimate of \$200 billion. I  
4 just want to point out, CBO has said it may be closer to  
5 \$300 billion. The inability of Government accountants even  
6 to estimate how much we are spending is a sign that  
7 Pentagon contracting is badly broken.

8 Now, every time that DOD decides to hire a contractor  
9 to perform a service for the Department, they are supposed  
10 to, by law, be taking that on because it is the cost  
11 effective way to get the job done.

12 Ms. Field, this is right in your wheelhouse. Does DOD  
13 collect data that would allow its managers or allow someone  
14 doing oversight to conduct a cost comparison to figure out  
15 whether or not the Department should contract something out  
16 or do that work in-house?

17 Ms. Field: No. So, it is a source of cost savings,  
18 in fact, to in-source positions, to convert them from  
19 contractor to civilian. The Department used to have a  
20 database that provided some fairly detailed information  
21 about contractors that would potentially help that sort of  
22 analysis. Recently, DOD shifted to a Federal Government  
23 wide database system that has less data.

24 Senator Warren: So, we now know less than we used to.  
25 We spend more and have less information about it. You

1 know, the Department of Defense's Cost Assessment and  
2 Program Evaluation Office found that in some cases, defense  
3 contractors can cost two or three times as much as civilian  
4 employees doing exactly the same work.

5 As you say, people sitting side by side. In other  
6 cases, they are just outright fraud. In 2014, the  
7 Department of Defense Inspector General found that defense  
8 contractor Northrop Grumman improperly billed the  
9 Government more than \$100 million for employees to provide  
10 training and logistics support for counter-narco terrorism  
11 technology program.

12 Sounds like an important program. Northrop Grumman  
13 was charging the Government an average, an average of 100  
14 billable hours a day for a single employee. Now, Ms.  
15 Field, pretty clearly, nobody can work more than 24 hours  
16 in a day, so it is a pretty clear sign that fraud is going  
17 on. When you see something like that, right, no one should  
18 have any doubt. There is fraud here. Can DOD or DOD IG  
19 easily detect these kinds of overcharges or excessive  
20 rates?

21 Ms. Field: So, I am not familiar with that particular  
22 case, but I can absolutely tell you that it is very hard to  
23 detect and to prove fraud. That is why things like  
24 hotlines are so valuable for Inspectors General and GAO.

25 I will also note very briefly that GAO has recommended

1 some improvements to DOD's Fraud Risk Management Program.  
2 Their guidance Department wide currently does not require  
3 routine fraud risk assessments. That is something that  
4 should be going on.

5 Senator Warren: Okay. So that they don't know how  
6 many contractors they employ, and they don't have systems  
7 in place that will catch even blatant fraud.  
8 Unfortunately, it gets worse from here.

9 When DOD submits its annual budget, it has to include  
10 a projection of the long term cost of its programs so that  
11 we know not just what something is going to cost in year  
12 one, but what it is going to look like on down the road.

13 Ms. Field, can DOD estimate what its future costs are  
14 for service contracts that go beyond this Fiscal Year?

15 Ms. Field: Not nearly as well as we would like. The  
16 Department did not used to include services contracting at  
17 all in the FYDP, as you mentioned, the five year future  
18 defense program. That was astounding to us because service  
19 contracts represent consistently about half of the  
20 Department's contracting costs.

21 They have made some improvements in this space, but  
22 there are many more they could make. Will be issuing a  
23 report soon with some recommendations.

24 Senator Warren: And I appreciate that. In fact, the  
25 GAO has reported that DOD has "limited visibility" into

1 DOD's future spending plans. And if DOD can't track this,  
2 I don't know how it is that the rest of us are supposed to  
3 exercise oversight. So let me ask you one more, Ms. Field.

4 The GAO has put DOD service acquisitions, meaning how  
5 DOD manages and makes decisions about hiring outside  
6 contractors to perform duties like program analysis or  
7 engineering advice, on your high risk list. That is what  
8 you call it, your high risk list. What does that mean?

9 Ms. Field: The high risk list is a report we put out  
10 every two years of the areas of the Federal Government that  
11 are most vulnerable to fraud, waste, and abuse and, or are  
12 in need of significant management. DOD has more areas on  
13 the high risk list than any other agency.

14 Senator Warren: All right. So, thank you. I just  
15 want to summarize here what you all have just told me. DOD  
16 doesn't know how many contractors it hires.

17 DOD can't track whether those contractors will cost  
18 more money or less money than having a Federal employee do  
19 the same job. DOD does not have systems in place to catch  
20 even the most blatant frauds when contractors try to cheat  
21 the American taxpayer.

22 DOD cannot estimate the long term costs of hiring  
23 contractors, and DOD recognizes that the decisions it makes  
24 about service contractors run a high risk, one of the  
25 highest risks in Government that the taxpayer is getting

1 cheated.

2 The Department of Defense is not in a position to make  
3 smart decisions about how to spend taxpayer dollars. It  
4 doesn't have basic data about what things cost. And if  
5 Congress doesn't have this information, then we can't  
6 exercise appropriate oversight.

7 We should require the Pentagon to put better systems  
8 in place to collect these data and then make these data  
9 available to you and us. Thank you. Senator Blumenthal.

10 Senator Blumenthal: Amen. I think that is a very  
11 powerful summary of what we need to do with respect to  
12 contracting and personnel, nonmilitary service contracting,  
13 and other similar kinds of DOD contracting. But I want to  
14 come back to the recruitment issue. Because I think of all  
15 the challenges to our military right now, the clear and  
16 present danger is we are not going to get enough good  
17 people to wear the uniform.

18 And the statistic that you provide, 72 percent, that  
19 is the Army's percentage in meeting its recruiting goal. I  
20 had breakfast this morning with the commandant to be,  
21 hopefully he will be confirmed soon and -- of the Marine  
22 Corps, and he was very proud of the fact Marine Corps meets  
23 its recruiting goals.

24 And Senator Kaine and I had some experience with  
25 Marines. Our two sons served as active duty in the Marine

1 Corps. I have another son who was a Navy SEAL whom Senator  
2 Warren knows. And they didn't go into it for the money.  
3 At the time they were single, so they didn't really care  
4 that much about the housing and schools for kids.

5 And I notice that you make some recommendations about  
6 how to address this issue, get more reliable data, monitor  
7 plans and strategies for effectiveness, goals, plans, and  
8 strategies. But I think that something more fundamental is  
9 needed here because you can monitor, you can strategize,  
10 but unless you are reaching the people you want to recruit,  
11 it just won't work.

12 And I wonder if any of you have insights, for example.  
13 We are going to raise -- if we can get this NDAA approved,  
14 we will raise military pay 4 percent, 5 percent. I don't  
15 know whether that will make a difference.

16 What is the key here? Should we look to the Marine  
17 Corps as an elite service? Do we need more of the kind of  
18 spirit, image -- I don't know. You know, there are plenty  
19 of ads that try to recruit young people. So, tell me what  
20 your thoughts are.

21 Ms. Field: If I could begin, I would just offer two  
22 quick thoughts. The first is I think quality of life in  
23 the military is incredibly important for recruitment  
24 because in all of our work, we often hear that young,  
25 enlisted service members talk about their experience with



1 their buddies back home or with their families.

2 And when they hear, for example, that they are living  
3 in housing, barracks that is in very poor condition, their  
4 buddies and their family members get the message, don't go  
5 into the military. So that is my first thought, quality of  
6 life, which can cover a lot of things to include housing,  
7 but also things like pay, compensation, food.

8 My second thought just for your awareness is that we  
9 are right now conducting an audit, looking at the  
10 recruiting programs across the services that will include a  
11 look at their use of digital and social media. I don't  
12 have any results from that audit yet, but we will certainly  
13 provide them as soon as we have.

14 And that might illuminate why the Marine Corps is more  
15 successful than other services, particularly the Army.

16 Senator Blumenthal: Any others?

17 Mr. Roark: For me. I think just to echo the points  
18 that my colleague Ms. Field made. I think that health care  
19 is an important part of taking care of the soldiers that we  
20 have and making sure that their quality of life is as good  
21 as possible.

22 And so, I think that, you know, efficiencies that we  
23 can gain in the health system to make every dollar count is  
24 critically important, and I think that is why we are all  
25 here today to explore opportunities to do that.

1           And then on the housing side, I know we have done a  
2 number of projects on housing hazards, health hazards and  
3 so forth, that, you know, military families face in  
4 privatized housing.

5           And then we are also completing a series of  
6 evaluations right now on the Fiscal Year 2020 NDAA  
7 provisions for privatized housing. We are in the third  
8 year of a three year series of evaluations on that.

9           Senator Blumenthal: Well, I look forward to the  
10 audit. It can't come soon enough, but I want to add one  
11 more perspective. You know, I recently visited Groton,  
12 where our army is training Ukrainians to fight.

13           And I have never seen American troops more motivated  
14 and engaged than they were in training these young  
15 Ukrainians. We are about to go fight and die. These are  
16 young people who were bakers and teachers and computer  
17 scientists, and they are being taught by our Army who have  
18 incredible skills and the challenge of teaching those  
19 Ukrainians their profession. It is a profession.

20           Elicited such motivation. And, you know, the food  
21 isn't great. The housing is okay, but not great. But the  
22 mission is really what drives them. And so, I don't know  
23 how we attract people. You know, I have seen some of the  
24 social media, some of the ads about the mission. But  
25 that's just a, you know, a thought, not an original thought

1 by any means, but one that. Struck me thinking about  
2 recruitment.

3 Those young troops from our American troop are going  
4 to talk about that experience their whole lifetime. And  
5 the same happened, you know, Senator Kaine and I visited  
6 one of the bases where Ukrainian refugees were brought  
7 back. And these -- and there were Marines there. These  
8 Marines had never been deployed. But working with the  
9 refugees is an experience, again, a mission for them.

10 It is not a combat mission, but it is something where  
11 their sense of purpose is really fulfilled. So just, you  
12 know, a thought and I don't know how we put it into the  
13 recruitment program, but it just struck me that that is  
14 going to be a selling point if we want to get the best and  
15 brightest.

16 Mr. Mosher: Senator, if I could, on your question  
17 about recruiting and such. As sort of the data guy, we  
18 -- one of the things I think you need to look at is, are  
19 the services putting the money that they should be into the  
20 recruiting budgets? How does the Army's recruiting budget  
21 and numbers of recruiters this year compared to one year  
22 ago or two years ago?

23 Are they actually sort of doing what they -- you would  
24 think they would do, and that is putting more money against  
25 that. So, look at the numbers. And also, don't forget, we

1 are in a boom economy in terms of employment and the  
2 military always has trouble recruiting when you can make  
3 good money on the outside.

4 So that is another thing to keep in mind as you are  
5 looking at this.

6 Senator Blumenthal: We are in a boom economy. But  
7 you know what? What the Marine Corps does is they take  
8 some of their best people and they put them on recruiting.  
9 It is not a backwater for them.

10 It is essential. They make it -- you know, they put  
11 it as a priority. You know, you are great at what you do  
12 as a Marine? We are going to put you out to get more great  
13 Marines. It is not kind of the fallback for a well, you  
14 know, so-and-so can't really do the job, let's put him into  
15 recruiting.

16 We will send them out, you know, Hartford,  
17 Connecticut. The Marine who goes to Hartford, Connecticut,  
18 is among the best because he has to attract the best. So,  
19 just another thought.

20 Senator Warren: It is a powerful point, Senator  
21 Blumenthal. Senator Scott.

22 Senator Scott: So, I just want to follow up with what  
23 Senator Blumenthal said. So, I joined the Navy at 18.  
24 They didn't tell me I was going to sleep in barracks -- you  
25 know, we didn't have barracks. We had a ship. 57 -- 57

1 -- 3 racks up. I think it was 7 feet tall. So, we had a  
2 lack -- a rack that was as long as I am tall. You know,  
3 everything we owned was in a container that size. That was  
4 it.

5 So, the showers actually didn't work that much because  
6 when we out to sea, because the desalinization stuff didn't  
7 work a lot of times, and they shut it off right in the  
8 middle of the shower, which is really nice. Right when you  
9 had -- when you had soaped down. Food, not the best.

10 Better than what my dad had. He was in the Army. So,  
11 I think it goes back to mission. And we had a hearing on  
12 this, and I don't know if you remember hearing much about  
13 how they were selling mission. I didn't. But the truth  
14 is, if you are in business, if you can't sell a mission,  
15 you are not going to recruit good people.

16 Actually, our offices I bet can find -- we find really  
17 good people because we have a mission. And so, I think it  
18 goes back to, we got to really sell why we are doing what  
19 we are doing. And I think our military leadership and  
20 whoever is the President has got to sell the fact that we  
21 are doing this for a very specific reason and purpose, and  
22 how important it is.

23 And if we don't, I think it is going to continue to be  
24 hard. And you have to admire what the Marines are doing  
25 because they figured it out. So, can I ask you a question,

1 does anybody meet with you all? I mean, you put out these  
2 nice reports. Does anybody care, you know, from the  
3 military? Who cares -- who talks to you guys? I mean --

4 Ms. Field: Yes -- I would say, yes. You know, we,  
5 for the most part, have a good working sort of collegial  
6 relationship with DOD officials. They do implement many of  
7 our recommendations. But I will also note DOD has the  
8 lowest implementation rate in terms of implementing GAO  
9 recommendations compared to other agencies.

10 So, yes, they meet with us. I think many of them are  
11 committed, hardworking civil servants. But we would like  
12 to see our recommendations implemented at a higher rate.

13 Senator Scott: Same thing?

14 Mr. Roark: So, for us, same thing for us. So, I  
15 think, you know, we do a lot of outreach with senior  
16 officials and with others, and whether that is around the  
17 world. I travel around the world to meet with folks in  
18 different organizations and different commands and  
19 understand what their challenges are and so forth.

20 And I think we get very positive, candid feedback  
21 there. And then once we issue a report, or I believe that  
22 for the most part, you know, DOD handles it in a very  
23 professional way and takes it seriously. And, you know,  
24 sometimes recommendations are, you know, a little harder to  
25 implement. But for the most part, I think the relationship

1 is positive.

2 Mr. Mosher: We are not really a recommendation  
3 generating agency. We don't make recommendations and kind  
4 of till more with policy, options, and choices. So, it is  
5 a little less direct.

6 But we certainly do hear from DOD when they don't like  
7 things that we have written or when they like things that  
8 we have written. We hear from members or staff on the  
9 committee. So, I think it just really depends for us on  
10 the study.

11 Senator Scott: Well in business, you know, the  
12 shareholders, the board -- I mean, you don't get your  
13 -- you don't keep your job if you don't do your audit,  
14 right? Right, I mean, it is the most basic thing you have  
15 to do. Or the CEO is not going to stay there. Because if  
16 you get a bad audit, I mean, you can be delisted if you are  
17 a public company.

18 So, I guess part of it is we have got to hold people  
19 accountable on our part at the senior level. If they are  
20 -- if we expect them to follow what you guys do. Ms.  
21 Field, can I ask you a question. Can you tell me what the  
22 difference between -- like, take an officer that has, you  
23 know, active duty military working for them. And then they  
24 hire an outside firm to do the work.

25 And so, you end up with either a civilian that works

1 for part of the Federal Government or a civilian that works  
2 for Booz Allen or whatever. How do they manage them?

3 Because it sure seems like it would be awfully  
4 difficult if they don't -- if they are not in the military  
5 and you are an officer, how do you manage these people?  
6 Can you fire them? Can you say, you know, you are not  
7 going to get a promotion? What do you get to do?

8 Ms. Field: Yes, that is a great question. You know,  
9 I think it is difficult, and I think part of the issue, and  
10 I will go back to the health system just because it is an  
11 example that I think, you know, people can really grasp and  
12 identify with. The contracting companies, so let's say  
13 Booz Allen, they get to decide who they are going to send  
14 to fill a contract.

15 And what we heard when we went around to military  
16 treatment facilities is, if we don't like the candidate  
17 that they send -- and they, by the way, have -- the  
18 companies have 30 to 60 days to propose a candidate, they  
19 can send that candidate back, but then that company has  
20 another 30, sometimes 60 days --

21 Senator Scott: And you are paying all this time?

22 Ms. Field: The contract, yes. And so, what we heard  
23 from MTF was that in some cases they have to decide between  
24 filling a position with a subpar candidate or leaving that  
25 position vacant. So, it is a real problem.



1           Senator Scott:  What about on the -- what about if  
2 they are a Federal employee.  So, if the choice between a  
3 Federal employee and a military member, how do you manage  
4 them?  What would be the differences?

5           Ms. Field:  So, I think my understanding, and I have  
6 certainly observed this, is that active duty military try  
7 to treat everybody as part of the team.  It is not  
8 surprising, given the emphasis on leadership in the  
9 military.

10           But they do still face the same struggles that we see  
11 sort of across the civilian workforce.  And so, Senator  
12 Warren pointed out the GAO's high risk list.  Federal  
13 strategic human capital is on that high risk list because  
14 it is so hard to manage the Federal workforce, civilian  
15 workforce in the way that would be most effective.

16           Senator Scott:  Thank you.

17           Senator Warren:  Thank you.  So, I want to talk a bit  
18 more about healthcare.  And just so anybody who is watching  
19 this knows, service members and their families get their  
20 health care coverage through TRICARE that we have talked  
21 about some today.  This is the DOD's managed health care  
22 program.

23           And it is run, you guessed it, by private contractors,  
24 including one of the largest health insurance companies in  
25 the country.  The cost of this health care coverage is

1 shared by taxpayers, and in some cases by servicemembers  
2 and their families who have co-pays on some of the care  
3 that they get.

4 The Defense Health Agency is responsible for managing  
5 these contractors, and it provides the reimbursements for  
6 medical procedures, services, supplies, whatever is  
7 purchased under this. Years of support show that TRICARE  
8 is allowing rampant price gouging by health care providers,  
9 driving up costs for beneficiaries and ripping off  
10 taxpayers.

11 The Department of Defense Inspector General has long  
12 warned about the costs of letting TRICARE fraud continue  
13 unchecked. We have talked about two examples today, breast  
14 pumps that are for sale at Wal-Mart for \$192.

15 The Federal Government, through TRICARE and a private  
16 contractor, ends up paying as much as \$1,500. Vaccines  
17 that everywhere else can be purchased for \$127. What  
18 happens through TRICARE? It reimburses \$1,848 for exactly  
19 the same vaccine.

20 Now, medical supply companies make a profit when they  
21 can sell items to private insurance companies. That is how  
22 they stay in business. But insurance companies typically  
23 set a cap on what they will reimburse for a product.

24 Your audit found that the reason DHA was paying these  
25 clearly inflated prices was either because the Federal

1 Government had failed to set price caps or maximum  
2 reimbursement rates for these products. In other words,  
3 DHA had effectively told these companies that they were  
4 willing to pay whatever it was the company wanted to  
5 charge.

6 Even in cases where the DHA has set those rates, the  
7 DHA continually failed to enforce the caps or to claw back  
8 money when they had been overcharged from the original  
9 agreement. Now, Mr. Roark, when TransDigm overcharged DOD  
10 for spare parts, let's get out of health care for a second,  
11 your office recommended that DOD ask for a refund.

12 DOD did, they asked for the refund, and the American  
13 taxpayer got \$16 million back. But what did DHA, let's go  
14 back to health care, what did DHA say when you recommended  
15 asking for a refund for TRICARE price gouging, both in  
16 areas where they had never set a rate to begin with or  
17 where there was a cap, but DOD had not enforced it? What  
18 happened when you asked them, go get the money back, or at  
19 least some of it?

20 Mr. Roark: So, in our two reports, we kind of covered  
21 this in two ways. First, we asked them to seek voluntary  
22 repayments for instances where very high prices had been  
23 charged for services or for items.

24 Then in other cases, we asked them to recoup money for  
25 instances where they did not enforce the cap, as you

1 mentioned. So, in the end, the DHA recovered about \$100  
2 -- about \$712 was the kind of the total amount that they  
3 recouped.

4 Senator Warren: I am sorry, did you say \$712?

5 Mr. Roark: Yes -- \$712,000 -- \$712,000.

6 Senator Warren: Okay. All right. \$712,000, okay.

7 Mr. Roark: And in terms of the amount of voluntary  
8 repayments, it was zero.

9 Senator Warren: And voluntary repayments was zero.  
10 In fact, I have the quote here from your report. DHA said  
11 -- this is when they have over been overcharged. DHA said,  
12 "the idea of voluntary payments is not realistic."

13 In other words, we just aren't going to do it. So,  
14 why was it in many cases here that DHA didn't even try to  
15 get the money back? You know, it feels like a failure of  
16 both oversight and will.

17 Interestingly enough, the former head of DHA, the one  
18 who made these decisions not to seek voluntary repayments  
19 because they said we are just not going to get anything  
20 from that, retired from the agency in 2019 and a year later  
21 joined the board of the largest TRICARE contractor.

22 Mr. Roark, how much do you estimate that DOD could  
23 save if it just set maximum prices caps, like ordinary  
24 insurance companies do, and then actually enforced those  
25 caps?

1           Mr. Roark: So, I can't say across the entire health  
2 system because that is just a lot of different areas.  
3 However, for these two reports that we are here discussing  
4 today, we calculate that the savings that could be achieved  
5 by implementing our recommendations was around \$100.7  
6 million. That is \$81.2 million for the breast pumps report  
7 and \$19.5 million for the second report.

8           Senator Warren: Okay. So, I just want to underscore  
9 this. It is \$100 million for breast pumps, which is  
10 important, but I mean, and vaccines, and that is it. We  
11 have got \$100 million there, and we have to assume this  
12 problem exists all the way across. You know, I am very  
13 concerned that DHA is failing to protect TRICARE  
14 beneficiaries and allowing these companies to rip off  
15 taxpayers.

16           Yesterday, I sent a letter to both the DOD and DHA  
17 asking both agencies to improve oversight and transparency  
18 around current TRICARE spending and put new rules in place  
19 to prevent price gouging of our military families in the  
20 future. I think we are going to have a lot more work to do  
21 in this area.

22           Do you have another question you would like to ask?  
23 You mind if I do one more and then I will be finished?  
24 Okay. So, I have got one more round that I want to ask  
25 here. During the Obama Administration, Ash Carter, who was

1 then head of acquisitions at the Pentagon, led an  
2 initiative to identify improvements in how DOD contracts  
3 for services. This initiative was called, Better Buying  
4 Power, and it identified \$90 billion in potential savings  
5 over 12 years. Let me say that again \$90 billion.

6 One of the biggest recommendations was changing the  
7 way that DOD writes contract requirements when it buys  
8 services, everything from cleaning buildings to management  
9 consultants. The GAO wrote, and I want to quote what the  
10 GAO said, "determining whether to contract for such  
11 services, eliminating duplicative or unnecessary services,  
12 and effectively managing and overseeing contractors is  
13 vital to DOD achieving its missions."

14 Ms. Field, help me translate those recommendations  
15 into terms that people who don't do acquisitions policy for  
16 a living will understand. Is this the basic idea that you  
17 can protect your budget when you are buying a service by  
18 being clear about what you expect from whomever you hire,  
19 and that you should probably do an assessment on the front  
20 end to determine whether or not you need that work at all.  
21 Is that about right?

22 Ms. Field: That is exactly right. And maybe to give  
23 an example in DOD. This would be, for example, one of the  
24 services, let's take the Army, deciding that it needs to  
25 figure out how much it is spending on grounds maintenance,

1 right, which is something that happens at military  
2 installations across the world.

3 Under this practice, the Army should figure out how  
4 many contracts does it have for grounds maintenance? How  
5 many does it need? And how can it cut costs by perhaps  
6 consolidating contracts? It is pretty simple. It is  
7 something that we all do in our own households.

8 Senator Warren: Ask for a volume discount --

9 Ms. Field: Right, absolutely. So that is the idea.

10 Senator Warren: Okay. Okay. You know, it is a  
11 really important insight because we are talking about  
12 things that pretty much every business in America does and  
13 pretty much every family by figuring out in advance what  
14 they are getting and what they are paying for it.

15 So, do you have any idea, Ms. Field, how much money  
16 DOD would save if they conducted these reviews before they  
17 shoveled the money out the door?

18 Ms. Field: So, I don't have an across the board  
19 estimate for you, but I will offer two points. The first  
20 is that we know that when two of the smaller DOD components  
21 used this practice, specifically the Defense Logistics  
22 Agency and the Defense Threat Reduction Agency, DTRA, when  
23 they did this, they saved hundreds of millions of dollars.  
24 And those were --

25 Senator Warren: Hundreds of millions for just the

1 smaller --

2 Ms. Field: Just two small components.

3 Senator Warren: Okay.

4 Ms. Field: And I would -- my second point I would  
5 offer is that if you think about the amount that DOD writ  
6 large is spending on services contracting, \$205 plus  
7 billion, if they were able to save just 1 percent of that,  
8 there is \$2 billion right there. So, there is a lot of  
9 potential.

10 Senator Warren: That is a one year.

11 Ms. Field: That is one year.

12 Senator Warren: And it compounds over time, as you  
13 were talking about, the effects of this. You know, it is  
14 great that DLA and other agencies are saving money, but it  
15 is the military services who buy the lion's share of the  
16 services here.

17 So, I just want to make sure that I understand, that  
18 the military services are not doing similar reviews to the  
19 kind you talked about across other areas to eliminate  
20 duplicative contracts and try to save money.

21 Ms. Field: So originally really were not doing it,  
22 which is problematic because, as you mentioned, they  
23 account for about three-quarters of the service contracting  
24 dollars for DOD. GAO recommended that the services adopt  
25 this practice.



1           They have begun implementing it to varying degrees of  
2 success. But we are just about to issue a new report in  
3 the coming weeks that will identify some recommendations  
4 for the services to do it better, to hopefully get better  
5 results.

6           Senator Warren: But this -- you are going to make  
7 this recommendation to the same services that you said have  
8 the lowest rate of picking up your recommendations. Is  
9 that right?

10          Ms. Field: Our hope is that they will take them  
11 seriously and implement them.

12          Senator Warren: We will find ways to make them take  
13 this more seriously. You know, I just want to underscore  
14 here about how we are leaving money on the table here.

15          The better Buying Power Initiative that I talked about  
16 a minute ago estimated that sharpening DOD's pencils on  
17 review requirements alone could save \$44 billion over 10  
18 years on consulting and research and development  
19 contractors. If we got even a 10th of that savings, we  
20 would be talking about real money here.

21          When DOD asks for supplemental funding, we should  
22 remind them that by following a few basic accounting and  
23 oversight practices, they would have another \$44 billion to  
24 spend, and ask why, if they really need this money, they  
25 haven't already done that.

1           This is just one area where DOD could score huge  
2 savings. You start to multiply that in other areas and we  
3 are talking about significant money here. So, I am going  
4 to make a closing statement. You have closing statement,  
5 anything you want to say?

6           I just want to thank all of our witnesses. I want to  
7 thank you for your service. I want to thank you for  
8 testifying today. I want to thank you for continuing to  
9 make recommendations, and to stay on this. I also want to  
10 thank Jon Clark, and Gary Leeling, and Andy Scott, and  
11 Sofia Kamali, and Noah Sisk, and Sean O'Keefe, and Katie  
12 Magnus, and Brendan Gavin for their work in helping put  
13 this hearing today.

14           I really appreciate your contributions. I am looking  
15 forward to working with all of you. We are committed to  
16 ensuring that service members and their families receive  
17 all of the resources and all of the support that they need.  
18 It is clear from today's hearing that DOD has a lot of work  
19 to do to make sure that we have the right cost efficient  
20 mix of Federal employees, military personnel, and  
21 contractors.

22           Those failures add up. DOD's own estimates say that  
23 we could save \$90 billion over the next 12 years, and our  
24 witnesses today have identified other areas where we can  
25 save, and we know there are more reports coming on this.

1 I remain concerned that the Pentagon is too focused on  
2 increasing its budget and neglecting to exercise due  
3 diligence to prevent waste and fraud in the money that we  
4 have already allocated. Senator Scott.

5 Senator Scott: So first off, think about what we can  
6 do, all right, if we -- so take Mr. Roark, what you said  
7 that they didn't get voluntary. What if we asked about it,  
8 all right. So, if you guys will think about that.

9 Let me get, I will give you just some of my back -- my  
10 business background. This was 26 years ago. I ran a  
11 hospital company. Our revenue base was \$24 billion. My  
12 savings over -- took me a few years to get there -- was  
13 \$2.4 billion. It is how much, then how much costs I cut  
14 out of -- and that was out of, our cost structure would  
15 have been out of 25 percent of the cost. Something like  
16 that.

17 And so much of my savings there. I mean, this is  
18 staggering, the dollars that you can save. When you have  
19 the Government -- when you have the Government's buying  
20 power, I mean, it is not a little bit. It is staggering  
21 the dollar numbers. So, I don't want to speak on behalf of  
22 the chairwoman, but if there are things that would be  
23 helpful that we can ask for -- I think both of us are in  
24 the same position.

25 We support our military. The fund issue -- and I am

1 not -- I am not sitting here, and I wouldn't say, gosh, I  
2 am here to cut military spending. I want to make the  
3 military spending smart, efficient, and have a lethal  
4 force. But we do have \$32, I think you said it, Ms.  
5 Fields, we got \$32 trillion of the debt.

6 We have to spend our money better. We can't -- I  
7 mean, this is, we have got problems. So, if you guys have  
8 any ideas. Do you want to say something, Ms. Field?

9 Ms. Field: Yes. If I may, I do want to point out  
10 that GAO issues what we call matters for Congressional  
11 consideration.

12 These are recommendations to Congress of improvements  
13 that we think should be made to programs, many of them that  
14 could save money. We just issued a report estimating the  
15 total amount, which was billions that the Government could  
16 save.

17 There is one that is relevant to the discussion today  
18 that we have made and has not yet been implemented, and  
19 that was a recommendation that Congress eliminate the  
20 Secretary of Defense's authority to contract with U.S.  
21 Family Health Plan providers.

22 This is a very small, little known program, but when  
23 we assessed it back in 2014, we found that that program  
24 largely duplicated providing the same benefit to the same  
25 beneficiaries and many of the same areas as participate in

1 the TRICARE prime program.

2 The problem with the U.S. Family Health Plan, besides  
3 the fact that it is duplicative, is that the contractors or  
4 the companies that provide services under this do not need  
5 to compete in the same way that you typically would, nor do  
6 they have to have transparency in how they price out their  
7 services.

8 So, there is -- that is one matter for Congressional  
9 consideration that remains unimplemented, and if  
10 implemented, could save hundreds of millions of dollars.

11 Senator Scott: You said, Mr. Mosher, this bastion is  
12 on the service contracting, that you don't have data.  
13 Think about how much data there is. They don't have -- all  
14 that is available. They are just not giving it to you. It  
15 is all -- all that data is out there because it has to be  
16 in the contract, right?

17 Mr. Mosher: Well, I think that is the issue, how much  
18 is in actually in the contract in terms of labor costs and  
19 on labor costs. There is actually hope in the sense that  
20 the Army, we think, kind of cracked this.

21 They had for several years data that they were looking  
22 at service contractors, they were demanding from the  
23 contractors information of the sort that we think would be  
24 very useful up until about 2015, and then it got wrapped up  
25 into the broader DOD system, and now we are getting less

1 than we had before.

2 So, you could look back to the way the Army reported  
3 and try to use that as a model. We think that the OP-8,  
4 which is one of the budget displays that DOD provides to  
5 the Congress, which deals with civilians and other labor,  
6 does not really capture much.

7 And if you could do something parallel for service  
8 contractors, that would be data we could use. I mean, I  
9 guess my sense is the best way to start controlling these  
10 sorts of things is to have better data. So, and you can  
11 ask for that.

12 Senator Scott: Good job. Everybody gets a good job  
13 today.

14 Senator Warren: Thank you.

15 Mr. Roark: Can I add one point? One the consistent  
16 themes that we emphasized across our reports was  
17 emphasizing to the DOD how important volume discounts are  
18 and using our negotiating power to see if we can achieve  
19 better prices and lower cost through that as well.

20 And I think that regarding some of the points that we  
21 have all discussed today, I think that for me, the lessons  
22 that we can learn from the two reports today is just being  
23 proactive, taking a look at the data for trends to try to  
24 identify problems before they become a crisis and a lot of  
25 money is spent, and, you know, using those benchmarks, as

1 we talked about, to make sure that we are getting the best  
2 price possible.

3 And then periodically reviewing and monitoring it to  
4 make sure that we follow through and ensure that those  
5 steps that we implement are effective.

6 Senator Warren: Thank you very much, all three of  
7 you. Thank you for your service to the country. Thank you  
8 for being in here today. And I hope we will all stay in  
9 touch. Thank you. This hearing is adjourned.

10 [Whereupon, at 5:34 p.m., the hearing was adjourned.]

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