



**Government Relations
Update
VCOC Legislative Committee
December 10, 2015**

Decade+ of Wins

- **Restoration of Military Pay Comparability***
- **End Strength Increases***
- **Survivor Benefit Upgrades**
- **Defeated Major TRICARE Fee Hikes/Means-Testing***
- **TRICARE For Life/TRICARE Senior Pharmacy***
- **Major GI Bill Upgrades (Transferability)***
- **Wounded Warrior Protections**
- **Caregiver Enhancements**
- **Repealed REDUX Retirement Penalties***
- **Major Compensation Increase for Disabled Retirees**
- **Guard/Reserve TRICARE Coverage (& Premium Cut)**
- **G/R Retirement Age Credit for AD Service (Post-2008)**
- **Added Protections for Spouses/Children**
- **Defeated COLA-1% in 2014 Budget Deal**

***Under attack**

Personnel Costs Spiraling?

- **Hagel: "...make tough choices to bend the curve on personnel"**
- **Odierno: Army personnel costs to reach "80 percent" of total budget by end of decade**
- **Greenert: 50% of DoD budget and "will be 60% and then 70% in a decade-plus."**
- **Amos: by 2025 or so, "98 cents of every dollar [will be] going for benefits."**
- **Welsh: Time will come when "...all we're doing is paying our people."**

DoD Hammering Personnel Costs

FY16 Pentagon Budget Proposal proposed:

- **Significant end strength reductions**
- **Capping AD pay raise at 1%; below ECI for second year with caps through FY 2019 (six years)**
- **Cutting BAH growth; increasing out-of-pocket expenses (5%)**
- **Slashing commissary subsidy = patrons lose 66% savings**
- **Consolidating TRICARE healthcare plans into a single plan**
- **Increased deductibles and co-pays**
- **Increased pharmacy co-pays**
- **Working age retirees to pay at MTFs**
- **Establishing enrollment fees (means testing) for TFLers (grandfathering for current over-65s)**

No Longer Just Threats

- **After decade of fixes, DoD cites: “spiraling personnel/health costs; must slow growth”**
- **Sequestration**
- **Rhetoric emboldened Congress: COLA -1%**
- **MCRMC recommendations**
- **2015: Deep force cuts Major Retirement cut**
3 yrs pay raise caps 2 yrs BAH cuts
More Rx hikes Commissary threat
- **2016: “Year of military health care reform”**

FY16 Defense Authorization Act

Proposal	House	Senate	Final
TRICARE consolidation	No	No	No
Means testing TRICARE fees	No	No	No
TRICARE Rx copay increases	No	Yes (10 Years)	Yes (1 Year)
Active duty pay raise	2.3%	1.3%	1.3%
Cuts to housing allowances	No	5%	Phased 5%
Cut/Private commissaries	No	\$322M + Priv. Plan	\$30M + Alt. Plan
Retirement reform	Yes	Yes	Yes

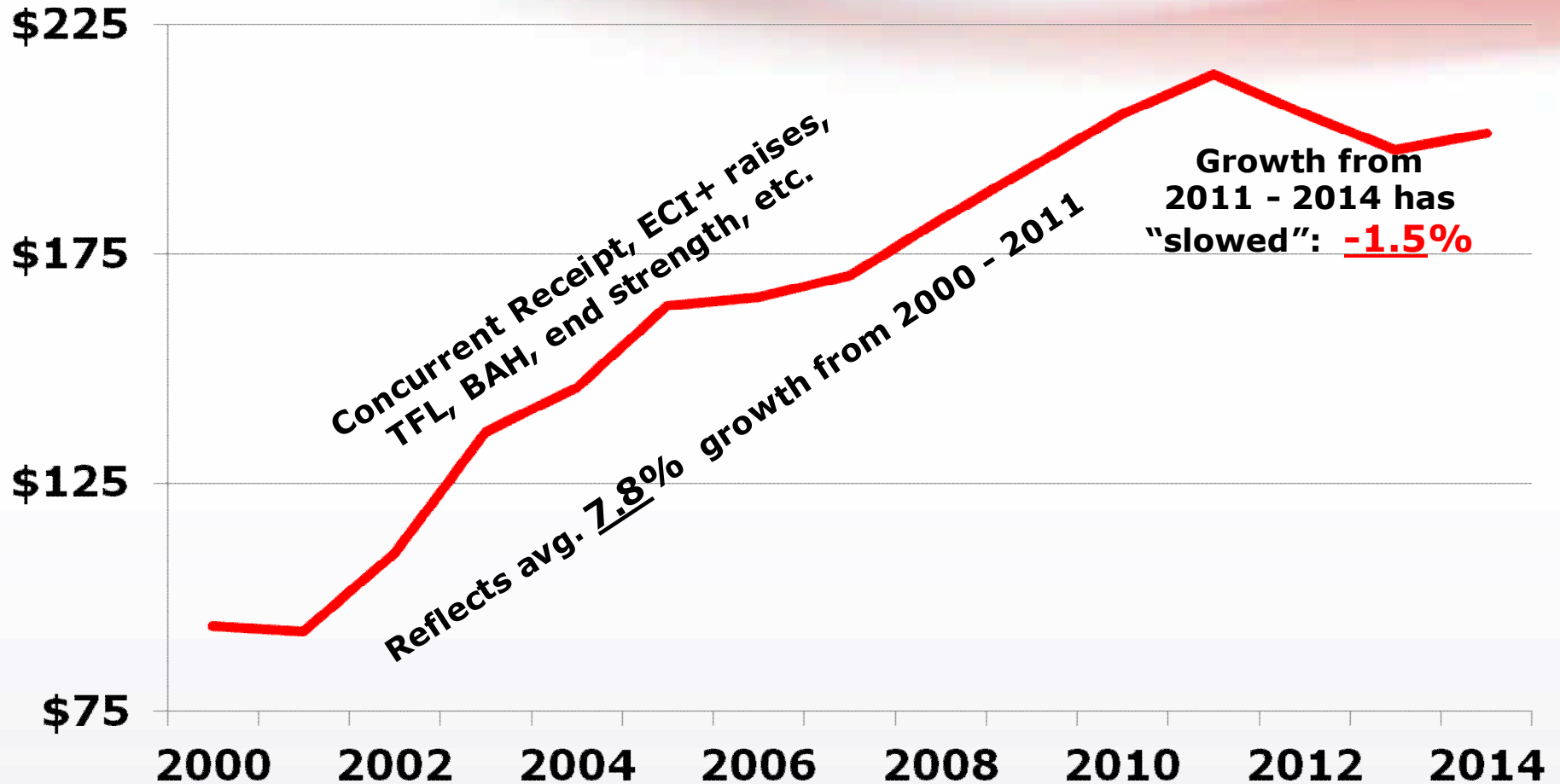
Basic Pay & BAH Losses Currently Serving Impact

Cumulative loss of purchasing power from 3 years of pay raise and
BAH caps
(active duty family with 10 years of service)

	E-5	O-3
2014 Basic Pay Loss	\$295	\$563
2015 Basic Pay Loss	\$597	\$1,137
2016 Basic Pay Loss	\$979	\$1,871
2015 BAH Loss	\$277	\$329
2016 BAH Loss	\$571	\$677
Cumulative 2014-2016 Loss	\$2,719	\$4,577

Personnel/Health Care Growth Rate

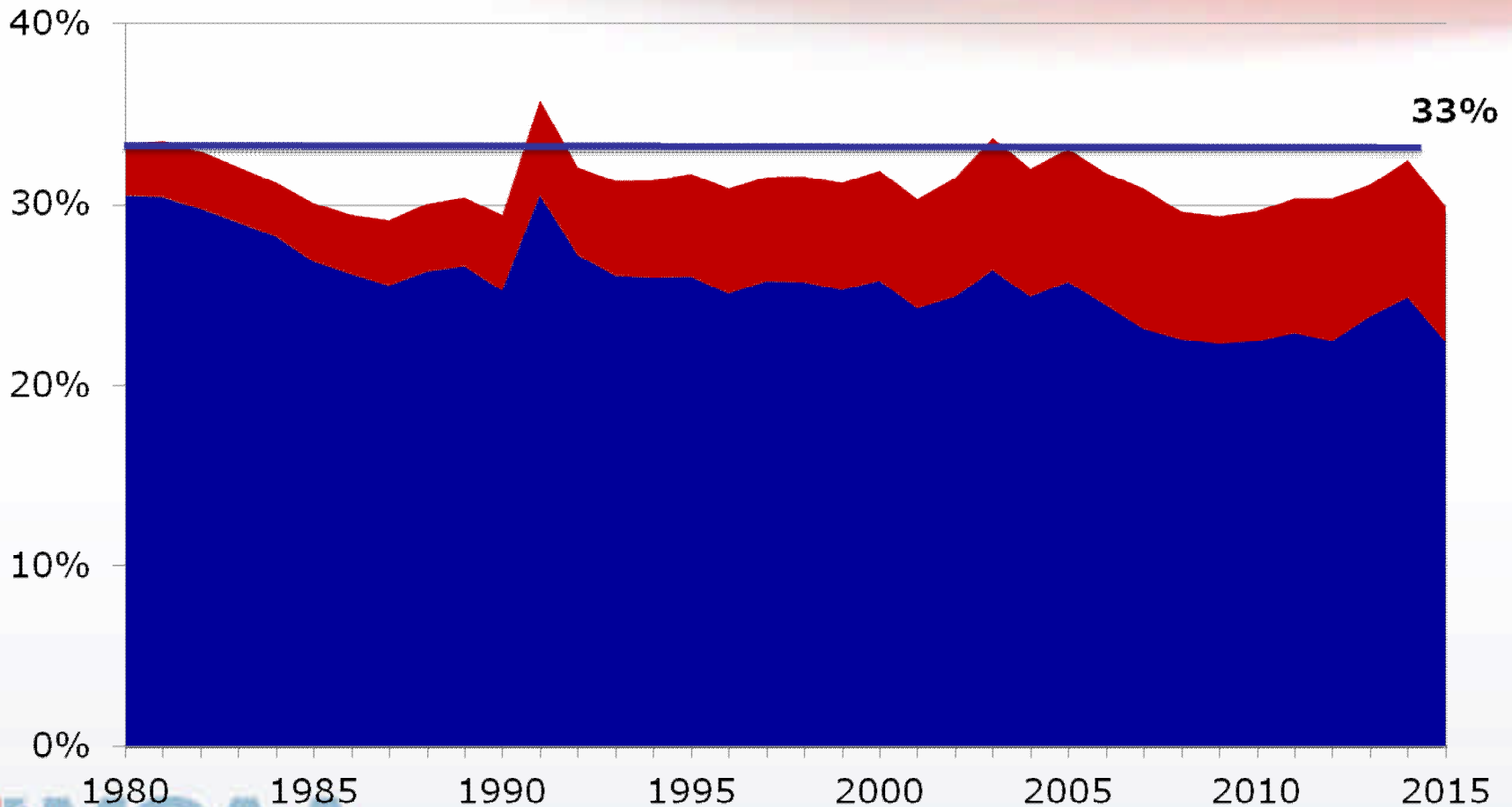
(Outlays in \$ Billions)



— Total Personnel Costs (MilPers+DHP)

Military Personnel Costs Aren't Exploding

About one-third of the defense budget goes to military personnel and health care costs – the same share it has been for more than 30 years. That's no more unaffordable now than in the past.



DoD Health Costs Are NOT Growing, Let Alone “Out of Control” (\$B)

	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15*</u>	<u>FY16*</u>
TFL Deposit	10.8	11.0	10.9	8.5	7.4	7.0	6.6
Purchased Care	14.3	14.8	15.4	14.7	14.8	14.8	
Total Unified Med. Pgm.	49.9	51.6	52.9	48.4	49.3	48.5	

Source: Department of Defense Reports to Congress/FY16 PB

*** FY15 data projected in Jan 15 DoD report; FY16 from FY16 budget submit**



Warning Shot for Next Year

- **Conference report language:**
 - **Plan to reform/modernize TRICARE as part of FY17 Defense Bill**
 - **“Increased fees will be a necessary part of this reform”**

Current Outlook

- **Tough under any scenario**
 - Budget Fix is for only two years; Hill more contentious
 - War winding down
 - Congress seems in “protect vets; cut career military” mode
 - Reform military retirement first, health care next
 - Help those who leave service; whack those who stay
- **Congress needs to repeal sequestration – budget hits will only get worse**
- **If follow history, will likely cut too deep again (and we are headed down that path)**
- **MOAA Goal: Avoid Disproportional Sacrifice**

The Continuing Challenge

- **Educate Congress/Commissions**
- **“Collaborate But Verify” w/ DoD, VA**
- **Generate Grassroots Activism**
- **Maintain Key Hill Relationships**
- **Achieve Positive (Or Less Bad) Results**



Questions?