



TESTIMONY OF

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Executive Director

Of

THE RETIRED ENLISTED ASSOCIATION

Before a

HEARING

Of the

HOUSE ARMED SERVICES COMMITTEE'S

Subcommittee on Military Personnel

On

**Military Health System Overview and Defense Health Cost Efficiencies: A
Beneficiary Perspective**

On

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The Retired Enlisted Association does not receive any grants or contracts from the federal government.

Chairman Wilson, Ranking Member Davis and distinguished members of the Subcommittee it is an honor and deep responsibility to speak to you about the Military medical system and its future funding on behalf of the members of TREA and all beneficiaries.

Proposed Defense Health Cost Efficiencies

When asked to look at this subject the obvious first step is to look at the Administration's FY2012 DoD budget proposals. These include the suggested increase in yearly enrollment fee for Military retirees from \$230 to \$260 for an individual and \$460 to \$520 for a family; the yearly INDEXING of future enrollment fees to a level of medical inflation that seems, for now to be calculated at 6.2% a year; the change in the pharmacy benefit; the exclusion of medical retirees and survivors from this year's proposals, the proposal of aging out enrollees in the US Family Health Plan etc. And when compared to other ideas floating around this town the first instinct is to say- "well that's not so bad."

This year's proposals are certainly not as appalling as earlier ones were. And for that we are grateful. But then we must ask why are DoD's health care costs rising and why should retirees shoulder the burden for the increasing costs- whatever they happen to be. It should be clear that DoD's health care system's purpose is not to create a health care employee benefit program for beneficiaries. **The primary purpose of the system is clearly to support Readiness.** That is a crucial, honorable and necessary focus. But it is clearly not focused on economic efficiencies. It is focused on doing that essential job. And that is the job of the entire Nation. First remember we are approaching the 11th year of a war without an end in sight. Of course medical costs and everything else are more expensive during a war.

How much of the increased costs are due to the cost of war time treatment?

How much is due to the need to send more TRICARE beneficiaries downtown for civilian care because the MTFs are short of military medical personnel because are serving our warriors in war zones?

MTF's have the right of refusal to take a broad range of interesting cases so the medical training programs will qualify for licensing and internship and residency programs (otherwise most of what the military doctors and nurses in training would see are healthy people who have had accidents and babies being born.)

These are just a few examples of the numerous unique methods of DoD healthcare practice that would never be a concern or a cost to a program like Blue Cross/ Blue Shield. Of course military retirees and their families and survivors have a responsibility to help pay for such costs but they have the duty of a tax payer- but not more than any other tax payer. They should not be required to pay for these types of costs through their enrollment fees, co-pays etc.

We should also question if we really have any idea how much health care is actually costing the Department of Defense. DoD is arguing that its health care budget has doubled in the last decade going from \$24 billion to \$50 billion. They are predicting that by 2026 it will take up 13% of the budget. But how do we know? Last year Senator Chuck Grassley (IA) concluded that the DoD IG is incapable of auditing the Department of Defense. The 2010 NDAA calls for "Audit Readiness of Financial Statements of the Department of Defense" by September 30th 2017. With these problems it seems hasty, at best, to transfer costs to those who have already served our Nation in the hardest and most dangerous places in the world.

These retirees have paid for this benefit by 20 or more years of exhausting, dangerous and tense service. It is not a general nationwide healthcare insurance program. It is not Medicare or Medicaid. They have not earned this benefit by simply being an American citizen and paying their taxes. This is a crucial part of the complete financial package that America pays to maintain an all volunteer military. These retirees took on decades of risk and dedication. Their families have at different times in their lives both been separated from them and moved around the world to be able to be with them. It is a benefit they have earned. It should rightly be looked at as a pre-paid enrollment fee.

It should also be noted that the active duty force is well aware of what is happening to their retired brothers and sisters. One of the reasons Congress created and passed TRICARE for Life (TFL) in 2000 was that the active duty saw what was happening to military retirees over the age of 65, and their negative reactions were harming retention.

Additionally, we should always remember what a difficult life these men and women have agreed to take on. What a strain the duties put on both their physical and mental health. The military is a fit style of life but it is not a healthy one. And it is the duty of a grateful Nation to provide the medical care a military career truly requires.

The proposed indexing as now designed would dramatically cut the retirement package that the career military has earned. While the retiree or survivors retired/ survivors payment would only rise by a Cost of Living Allowance (COLA); the enrollment fee for TRICARE Prime would rise by one of several considered Medical Inflation Indexes. The present calculation depends on a 6.2% increase. As time went on this would seriously lower the retirement package that military retirees have been promised and planned on.

The present target of these proposed increases are the recent retirees (between the ages of 38 and 64) who have been carrying the brunt of this ongoing 10 year war and will be continuing to do so for the foreseeable future. These are the men and women who volunteered to protect

the rest of us. They have been the first in line but they don't want to push, or be pushed to the front of the sacrifice line again.

TRICARE Pharmacy Plan

We have been told again and again how much the government saves when TRICARE Pharmacy beneficiaries receive their prescriptions either by using an MTF or Home delivery rather going to a retail pharmacy. Below please see DoD's proposal to push all TRICARE Pharmacy beneficiaries into using Home Delivery. While there are many things we like about this plan it does not take into account that there are many drugs that one should get immediately. In this situation Home Delivery is not a sensible option. We see no reason to penalize beneficiaries by increasing **those** retail co pays. However we must say that the \$0 co-pay for Mail Order generics is an extremely elegant physiological move.

	Retail	Home Delivery (Mail Order)
Generic	\$5 (+\$2)	Zero (-\$3)
Brand Name	\$12 (+\$3)	\$9 (no change)
Nonformulary	\$25 (+\$3)	\$25 (+\$3)

U.S. Family Health Plan

Another Department of Defense proposal is to require beneficiaries of the U.S. Family Health Plan to age out of the program when they turn 65 and move into TRICARE for Life (TFL). TREA is opposed to such a proposal. That is true even though we strongly believe that TRICARE for Life is a wonderful program. However, USFHP is a small distinct program within the TRICARE Prime programs that is extremely effective for the 115,000 beneficiaries enrolled in its 6 sites. It was created by Congress in 1981 centered on some former U.S. Public Health Hospitals. It provides first class care for its enrollees and indeed is very similar to the Medical Home model that DoD is presently attempting to stand up throughout its system.

TREA is at a loss to understand why DoD thinks it would save as much as it expects from aging out the enrollees and requiring them to take TFL. However we can certainly see that there would be savings for the Department of Defense with their plan.

Medicare is first payer for TFL and pays approximately 80% of the medical costs with DoD picking up the remaining 20%. DoD continues to pay USFHP a capitated yearly rate for every beneficiary over the age of 65- so DoD would see a savings but the United States government would not. It would just transfer some of the costs to Medicare. But to get that saving on their books from this plan the beneficiary would have to lose his or her continuity of care and continued enrollment in this first rate plan. If there is some way to convince Medicare and/or

the relevant Congressional Committees to have Medicare start paying the cost they would normally be responsible for that would be wonderful if unlikely.

But this is a first rate program that provides unique first rate care. If one was just starting to create all the TRICARE programs you might not create this. But when you consider how hard it is to stand up and run **any** first rate program it is extremely foolish to turn your back on it.

MHS Overview

TREA fully supports The Military Coalition's wise and detailed analysis of the whole Military Health System. In the short time we have we would only like to reemphasize the need to develop a smoother transition for our wounded warriors from Department of Defense's medical treatment to the treatment provided by the Department of Veterans Affairs. We urge DoD to provide all equivalent care that the patient can receive at the VA. There should be no gaps or holes between the 2 Departments where the wounded veteran can be delayed or lost. It should be seamless. We urge you to continue your years of work to make it happen.

Conclusion

TREA again, wishes to thank you for allowing us to discuss these very important proposals with you. We know the difficult balancing act that all of you are facing. But please remember that the retirees' whose benefits are presently being analyzed and recalculated are the men and women, families and survivors who have been carrying the daily burden of our 10 year war. They are the ones who will fly when needed into disaster zones like Japan across the world. They were promised a solid and predictable retirement. And really, they have earned it.

Biography of Deirdre Parke Holleman, Esq.

Executive Director
The Retired Enlisted Association

Deirdre Parke Holleman, Esq. is the Executive Director of The Retired Enlisted Association. She was the Co-Director of the National Military and Veterans Alliance (NMVA) through 2010 and is still the Chairman of their Healthcare and Retiree/Survivors Committees and the Co-Chairman of The Military Coalition's (TMC) Survivors Committee. In all capacities and as a member of TMC's Health Care Committee Mrs. Holleman focuses on healthcare, financial and benefit matters for the Military's retirees, the active duty, the National Guard and Reserves and all their families and survivors.

Prior to joining TREA Mrs. Holleman was the Washington Liaison for The Gold Star Wives of America, Inc. There she represented the concerns of active duty widows and widows of Military members who die of service connected disabilities Before Congress, the Department of Defense, the Department of Veteran Affairs and other Veteran Service Organizations.

Mrs. Holleman is an attorney licensed to practice in the State of New York and before all Federal Courts. She argued many cases before all the Appellate Courts of New York including the New York Court of Appeals, the highest appellate court in the state. She successfully argued **In the Matter of Marie B.**, a case that struck down a New York statute as unconstitutional. For years she was a civil trial attorney in New York primarily handling Domestic, Family and Juvenile cases. She was the Associate Director of The Legal Aid Society of Mid-New York, Inc. This charity represents people who cannot afford to hire counsel in civil matters over nine counties in Upstate New York. She has a B.A. in History and Journalism from George Washington University and a J.D. from Vanderbilt University School of Law.

She lives in Rosslyn Virginia with her husband Christopher Holleman, an Administrative Judge for the Small Business Administration.