

Statement of the  
Military Officers Association of America

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before the  
National Commission on Fiscal Responsibility  
and Reform

By Col Steve Strobridge  
Director, Government Relations

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Co-Chairman Simpson, Co-Chairman Bowles, and distinguished members of the commission, the Military Officers Association of America thanks you on behalf of our 375,000 members for this opportunity to offer our views on your important task.

MOAA agrees with the president in establishing this commission to identify ways to ease the growing national debt and the burden it poses for future generations of Americans.

This very great challenge and the trade-offs to be faced in developing the least objectionable solutions are enough to give all Americans pause.

Our community clearly understands the need for shared responsibility in addressing fiscal reform.

Our members have grandparents, parents, children and grandchildren, and have no wish to ask any generation to bear a disproportional responsibility for subsidizing the others.

For the military community, personal sacrifice in the national interest has been and always will be a way of life. But any assessment of appropriate and proportional allocation of sacrifices for the future must take into consideration the totality of sacrifice already rendered, and the continuing level of sacrifice inherent in a career of uniformed service.

It is in that context that we offer the following observations concerning possible options that have been proposed by various sources for the commission's consideration.

### **Entitlement Programs In Principle**

While there is an understandable focus on entitlement programs because of their unique budgetary status, ***MOAA believes strongly that there is a fundamental difference between social insurance programs that are made available to every American and programs such as military and veterans' compensation that are earned by service and sacrifice to the Nation.***

This is not to minimize the importance of the former programs, which are as vital to the military and veterans community as they are to all other Americans.

But MOAA believes the government has a unique employer's responsibility to programs such as military retirement and health care that it uses to induce a small segment of Americans to agree to a unique compact under which they must subordinate their personal interests to serving the national interest over a period of multiple decades.

Similarly, the Nation incurs a unique obligation – over and above its obligation to the general public – to those who agreed to serve the country in a uniformed military capacity for a specified period, and especially to those who incur disabilities caused by that service.

In this regard, ***military and veterans benefits, including survivor benefits, are not a gift or benefit or commodity provided by taxpayers simply for being part of the U.S economy. They are earned***

***compensation in recognition of special service and sacrifice for the nation, over and above what is rendered by other taxpayers.***

Social insurance programs, in the end, provide benefits on a “cash for cash” basis. One pays a premium, and one receives a benefit. The only issue is to what degree the benefit is subsidized by the taxpayer.

It’s an entirely different proposition when the premium paid is in the form of years of one’s life, separation from one’s family, the loss of a limb, or the inability to function as the same person or family member as a result of the service rendered.

While it may be appropriate to provide proportionally smaller increments of benefit increases for each additional increment of taxes paid by higher-income enrollees, as Social Security does through its “bend points”, or to means-test premiums based on income as Medicare does, the principle behind these rules is that the level of benefit is based in part on the financial need of the beneficiary.

In contrast, military and some veterans’ benefits are *compensation* that is *earned* by personal service and sacrifice, independent of need.

***For compensation that is linked to performance (such as military retired pay, which offers greater rewards for longer service and for each successful competition with peers for promotion), means-testing would constitute a counter-productive performance penalty.***

***Proposals to means-test such earned compensation programs generate highly emotional reactions among those who served because they have the effect of denying that the service and/or sacrifice was of any value to the Nation.***

***When compensation was earned by specific service or sacrifice, it is inappropriate to seek to reduce that compensation based on the individual’s post-service accomplishments, the financial or employment status of the individual’s spouse, the relative initiative/success of the individual in investing, or the luck of the individual in inheriting family assets. None of these issues diminish or negate the service or sacrifice or its value to the Nation, so none should be used as an excuse to diminish or negate the earned compensation.***

## **Demographic Considerations**

A principle driving force behind initiatives to hold down entitlement spending growth is the impending retirement of many millions of baby boomers that is projected to significantly increase funding requirements for Medicare and (to a significantly lesser degree) Social Security.

***There is no impending demographic problem for the military community, including retirees, whose population is projected to remain at a rough plateau over the next 20 years and then steadily decline.***

***Further, the current population of military retirees didn’t happen by accident. It is a direct result of the decisions of every Congress and every Administration for the past 70 years to entice large***

*numbers of people to fill the national requirement for large career military forces to serve national interests in hot and cold wars around the globe.*

### **Statistical Considerations**

*Most who express concern about the growth in military personnel costs focus on the last decade, citing increases since 2001 – as if such increases are expected to continue far into the future.*

*But such projections are a statistical sleight of hand that depend on picking the worst possible starting point.*

*The reality is that military personnel costs were significantly depressed at the turn of the century, as the services were barely starting to escape serious retention problems at that point, as the 1980s and '90s had seen prolonged depression of military pay raises to a cumulative 13.5% behind private sector pay growth; housing allowances had been depressed below intended standards; disabled military retirees were being forced to fund their own VA disability compensation by forfeiting their service-earned retired pay; military retirement value had been depressed 24% for new entrants after 1986; and military retirees, family members, and survivors were being summarily dropped from military health coverage at age 65 as military health facilities were closed and downsized.*

Congress in its wisdom acted to address all of these issues in subsequent years, including reversal of annual pay raise caps and enactment of TRICARE as second-payer to Medicare for military beneficiaries over age 65 beginning in 2001.

At that time, incoming DoD officials lauded Congress' passage of TRICARE For Life as the right thing to do to correct the abrogation of health care commitments to older retirees. Subsequently, they began bemoaning the "rapid growth of health costs since 2001."

But those increases certainly came as no surprise, as neither Congress nor the Pentagon expected it to be cheap to provide health and pharmacy coverage to people over 65.

*The reality is that such explosive growth trends aren't going to continue, as we're not going to enact another TRICARE For Life benefit, and Congress isn't going to have to pursue another decade of major pay plus-ups. So while costs will increase, the period of explosive growth is behind us.*

### **Force Levels**

Historically, when the defense budget has been under pressure, a principle way to reduce costs has been to cut personnel levels. So it's not surprising that many have called for force reductions in anticipation of reduced combat requirements in the future.

The problem is that there is no certainty that combat requirements actually will be reduced.

When the war began in 2001, Pentagon leaders resisted a force buildup in anticipation that the war would be won quickly. When increases finally came, they were too little and too late to significantly ease the level of operational stress on the force.

While one may still hope that the war will be over soon and withdrawal targets met, it would be extraordinarily irresponsible force planning and inhumane to already over-deployed servicemembers to prematurely reduce the force based on an unrealized and unsubstantiated hope.

Inadequate end strengths combined with operational requirements far in excess of those envisioned when the Nation went to war nearly a decade ago already have taken a terrible toll on military people and their families.

If force planners had been told before 9/11 that our armed forces would face combat deployments virtually every other year for the next 9 years, with no end in sight after that, every one of them would have predicted that the services would be in a state of retention disaster long before now.

To date, that hasn't proven the case, and we stand in awe of the troops and families that continue to bear these terribly arduous service conditions on the Nation's behalf, whether the reason for their continued service is patriotism, concern for fellow warriors, the bad economy, the pull of the 20-year retirement system, or all of the above.

***But their very perseverance in the face of such circumstances seems to have given some national leaders the perverse impression that we can continue demanding – or even increasing – that level of sacrifice.***

***Let us not delude ourselves into such thinking.*** There are thousands among this new "Greatest Generation" who already are saying "enough is enough" and questioning whether their families can afford to continue accepting such disproportional burdens with little prospect of real relief in sight.

Any reduction of military manpower while engaged in a two-front war without any predictable end would entail a conscious decision to increase the already intolerable burdens imposed on military families, put retention and readiness at risk, and undermine the Nation's ability to continue to protect its national security interests.

Force structure changes in the aftermath of war have been a historical reality, even though history has proven some such reductions very unwise.

***Proposing force reductions in the midst of an ongoing war of indefinite duration would be the height of fiscal and readiness imprudence.***

### **Military Retirement and Survivor Benefits**

A number of past studies and commissions have sought savings through various plans to reform the military retirement system. For the most part, such proposals have envisioned requiring longer careers to earn an immediate annuity; changing the retired pay formula to yield lower initial pay; converting to a

401(k)-style system to shift more of the responsibility for retirement income to individual savings; and reducing, delaying or means-testing annual cost-of-living adjustments.

Some of these reform proposals have been enacted into law, including conversion of the military retired pay base to a high-36-month average basic pay in 1980 and the introduction of the so-called “REDUX” retirement system for new entrants after October 1986. The REDUX plan envisioned a reduced formula for servicemembers who retire with less than 30 years of service and a CPI-1% COLA system, with a one-time retired pay “catch-up” recalculation at age 62.

When Congress was considering the REDUX legislation, senior defense officials expressed concern that the reduced career “pull” of lower retired pay compared to the continuing sacrifices inherent in a military career would eventually undermine retention. Those concerns proved justified in the 1990s, as surveys of separating servicemembers highlighted the REDUX system as a significant reason for their decisions to leave service.

Subsequently, Congress repealed the REDUX system at the urging of the Joint Chiefs of Staff on readiness grounds.

***The common thread among military retirement reform proposals is to reduce costs by making the military retirement system more like civilian retirement systems.***

***What such initiatives overlook is the vital role of the unique military retirement benefit package (mainly retired pay and health care) as an essential offset to the unique and arduous service conditions inherent in multi-decade service career, including:***

- Hazardous duty, service in foreign, often hostile locales, with increased risk of injury or death
- Multiple, extended forced family separations
- Long hours of overtime without extra pay
- Frequent forced relocations
- Repeated disruption of spousal careers and children’s schooling
- An up-or-out promotion system
- Forced mid-life career changes
- Forfeiture of many personal freedoms other Americans take for granted

The reality is that few Americans are willing to endure such conditions for even one term of service, let alone for two or three decades. From servicemembers’ standpoint, there is no limit to the demands that the government can impose upon them – including denying them the right to quit when their term of service has been completed (stop-loss).

***The only way to offset these career deterrents is to establish a reciprocal commitment between servicemembers and their government – that if they agree to serve a career under these extraordinary conditions, the government accepts a reciprocal commitment to provide them -- and their survivors --***

*a benefits package commensurate with that extended sacrifice, and which significantly exceeds what they could expect in the private sector.*

*One cannot expect to civilianize the career benefits for military service, when military service conditions simply cannot be civilianized.* There is no better illustration of that reality than the experience of the past decade. Absent the career drawing power of the current 20-year retirement system and its promised benefits, MOAA asserts that sustaining anything approaching needed retention rates over the past decade of constant combat deployments would have been impossible.

By the same token, government backtracking on past promises once members have completed careers and retired from service sends an ominous message to currently serving personnel that promises being made to entice their career service likewise can be broken.

The crucial element to sustaining a high-quality, career military force is establishing a strong bond of reciprocal commitment between the servicemember and the government. If that reciprocity is not fulfilled, retention and readiness will inevitably suffer.

Once that happens, the cost to the government is very high, indeed, as seen in the wake of the retention crisis of the 1970s, when it took years to recruit, train, and experience replacements for the large numbers of mid-career personnel who left service.

In that regard, the military simply cannot replace a 10-year fighter pilot, submariner, or tank commander who decides to leave service, but must recruit multiple new candidates and invest 10 years of training costs to hope one will stay until that equivalent point.

## **Health Care**

Another frequently mentioned target for savings is the military health care account. In recent years, there have been several proposals to:

- Increase and means-test TRICARE fees for retirees under 65
- Increase pharmacy co-pays
- Establish fees for TRICARE For Life beneficiaries age 65 and older

The arguments offered in support of these proposals have focused on the rise in DoD health costs over the last decade, increased TRICARE usage among retirees of working age, and limited administrative or statutory fee adjustments over the years.

One concept offered frequently is that beneficiaries should be charged some percentage of DoD health costs. MOAA rejects that argument, because the reality is that a large share of defense health cost increases are due to military readiness decisions and DoD officials' failure to manage costs effectively.

***The military health care system is organized to meet readiness requirements, not to save money.*** It has three service medical departments, an OSD TRICARE agency, and three separate regional care contractors, all of whom compete independently and work poorly together.

Further, it's a simple fact of life that, when the Nation goes to war, the services deploy their doctors. That means the families and retired beneficiaries who previously were seen in military facilities must be referred to more expensive care in the private sector.

***DoD managers often ignore options within their power to achieve major savings without affecting beneficiary care or costs.*** One example is the mail-order pharmacy system implemented in 2001. Every prescription switched from retail pharmacies to the mail-order system would saved DoD \$250, but for six years, the Department did nothing to encourage beneficiaries to use the mail-order system, despite retiree organizations' offers to work with them to do so. Only relatively recently has the Department made any significant effort in this regard, and only this year has the Department agreed to begin partnering with retiree groups.

Finally, multiple studies, including those by the DoD Inspector General, have documented that DoD health cost accounting systems are so broken as to be unauditible, rendering them unusable as credible sources for beneficiary cost allocations.

***All of these circumstances reinforce MOAA's strong belief that beneficiaries should not be held responsible for any share of the cost of DoD wartime/readiness decisions or management inefficiencies.***

An often-cited argument for large TRICARE fee increases is that current fees have not been raised in many years. While that is true, it was the Department's own choice not to raise them for many years – which led many beneficiaries to believe they would not be in the future. When the Department did propose fee hikes, they sought large “make-up” increases, which Congress resisted – in recognition that Defense officials had failed to exercise many options within their own purview to control costs.

***Proposals for “make-up” fee hikes overlook that retirees who would be the target of such increases already suffered a major financial penalty because the pay tables under which they retired were depressed by budget-driven pay raise caps nearly every year throughout the 1980s and '90s.***

In this regard, military retirees under 65 already have forfeited an average 10 percent of retired pay. Here are two examples:

Grade/Service	Retired In	Annual Retired Pay Loss
O-5/20 Yrs	1995	\$4,979 (12.6%)
E-8 / 26 Yrs	1995	\$4,005 (12.6%)

Since the government has no plans to provide these members any “make-up” retired pay increase, MOAA believes it would be singularly inappropriate to seek to extract a “make-up” health fee increase to offset past government decisions not to raise health fees.

*That said, MOAA is not among those who believe retiree health fees should never be increased. We just believe that simple comparisons of cash fees paid by military vs. civilian beneficiaries provide a grossly inaccurate picture of relative costs imposed on the two populations. Comparing only cash fees ignores a fundamental reality:*

*Military people pay far higher premiums for their career health coverage than any civilian does, with the bulk of that premium paid up-front and in-kind through decades of arduous service and sacrifice.*

*While that in-kind premium is difficult to monetize, MOAA asserts it must be explicitly recognized in assessing how to adjust military beneficiaries’ health fees. One way to recognize their very large up-front premium payment is to limit the size of periodic military health fee adjustments.*

*MOAA believes strongly that, for any given year, the percentage increase in military health fees should not exceed the percentage growth in military compensation.*

Is that more favorable than what most civilians experience? Yes, but it is consistent with the reciprocal commitment that those who serve a career under extraordinarily arduous conditions should be provided a significantly better deal, while also acknowledging reasonable rules for periodic adjustments. Put another way, the Nation’s obligation to military retirees exceeds corporate obligations to civilian retirees because of military retirees’ unique and extended service to the Nation.

*Equally important should be recognition of the care provided for the premium paid, and the reality is that military TRICARE has some significant problems. DoD’s own surveys show that military members are less satisfied with their access to care than civilians are. Doctors say TRICARE is one of the lowest-paying plans in the country and imposes far more administrative requirements than other plans. As a result, beneficiaries at many locations have difficulty finding providers willing to take them.*

*Finally, some government leaders have opined that military retirees working in second careers should be required to use whatever civilian health care is available to them rather than using military TRICARE coverage.*

*MOAA objects strongly to any such assertion, which seeks to deny the earned nature of the military benefit and would belie long-standing and unambiguous government commitments to provide military health coverage to those who complete a career in uniform. While many retired members and families choose to use available civilian employer coverage (in many cases because they can’t find a provider to accept TRICARE), that is their option, not their obligation.*

In these difficult economic times, it is no secret that many civilian employers have reduced or eliminated their employee health coverage options, so it is no surprise that some retired military employees of such companies revert to using their earned TRICARE coverage. But let's not lose perspective on the reality that our government has long acknowledged that this is their earned right. Any attempt to retroactively deny that right devalues the service rendered by these beneficiaries in fulfilling their part of their reciprocal commitment with the government.

### **Cost-of-Living Adjustments (COLAs)**

One of the most frequently proposed cost-cutting initiatives involves elimination, reduction, delay or means-testing of annual COLAs to federal annuity programs.

***MOAA believes strongly that protection of an annuitant's purchasing power through regular COLAs is fundamental to sustaining the intended purpose of federal annuities, from Social Security to military retired pay and survivor benefits to VA disability compensation.***

Similarly, MOAA believes any initiative to reduce COLAs in ways that fail to sustain the annuitants' real purchasing power over time would fundamentally abrogate the government's responsibility.

The Bureau of Labor Statistics has made innumerable adjustments to the Consumer Price Index over the years to improve the CPI's precision in tracking changes in living expenses over time.

COLAs are particularly important to the military and veterans' community for a couple of reasons. First, longevity has consistently increased in recent decades for all Americans, including the uniformed communities. Second, many in the military and veterans community necessarily begin receiving COLA-adjusted annuities relatively early in life, either upon completion of 20 to 30 years in uniform, or because they incur service-caused disabilities that force them into premature retirement.

The combination of these circumstances leave those who have served and their families (and particularly their survivors) subject to the ravages of inflation over many more years than many of their civilian counterparts.

Regular cost-of-living adjustments are their only protection against compounded deflation of their annual purchasing power.

***While reducing COLAs may have the potential for large savings for the government, such savings can only come at the expense of dooming those who sacrificed most for our Nation to long-term and geometrically progressive devaluation of their hard-earned compensation.***

***Whatever else may be done in the name of cost savings, periodic restoration of full-value purchasing power, as measured by the CPI, must remain a fundamental commitment of the Nation to federal annuitants.***

Thank you for the opportunity to present MOAA's views on these important issues.

## **Colonel Steve Strobridge (USAF-Ret)**

### **Director, Government Relations, Military Officers Association of America (MOAA)**

Steve Strobridge, a native of Vermont, is a 1969 graduate from Syracuse University. Commissioned through ROTC, he was called to active duty in October 1969.

After several assignments as a personnel officer and commander in Texas, Thailand, and North Carolina, he was assigned to the Pentagon from 1977 to 1981 as a compensation and legislation analyst at Headquarters USAF. While in this position, he researched and developed legislation on military pay, health care, retirement and survivor benefits issues.

In 1981, he attended the Armed Forces Staff College in Norfolk, VA, en route to a January 1982 transfer to Ramstein AB, Germany. Following assignments as Chief, Officer Assignments and Assistant for Senior Officer Management at HQ, U.S. Air Forces in Europe, he was selected to attend the National War College at Fort McNair, DC in 1985.

Transferred to the Office of the Secretary of Defense upon graduation in June 1986, he served as Deputy Director and then as Director, Officer and Enlisted Personnel Management. In this position, he was responsible for establishing DoD policy on military personnel promotions, utilization, retention, separation and retirement.

In June 1989, he returned to Headquarters USAF as Chief of the Entitlements Division, assuming responsibility for Air Force policy on all matters involving pay and entitlements, including the military retirement system and survivor benefits, and all legislative matters affecting active and retired military members and families.

He retired from that position on January 1, 1994 to become MOAA's Deputy Director for Government Relations.

In March 2001, he was appointed as MOAA's Director of Government Relations and also was elected Co-Chairman of The Military Coalition, an influential consortium of 33 military and veterans associations.