



### Déjà Vu

*Servicemembers' earnings are under attack—again*

#### Introduction

The United States depends on volunteers for its security. It is a very small percentage of the population that commits to serve their country in the armed forces, performing a duty that most refuse. A still smaller subset of these men and women commit entire careers to service; these form the enduring foundation of expertise and professionalism necessary to rebuild the forces now being reduced in every category of size, equipment and readiness. **It is imperative in this environment for the nation to preserve the mechanisms that incentivize skilled volunteers to become experts in careers that differ qualitatively from any civilian experience.** But these mechanisms are crumbling, one after another—threatening servicemembers' quality of life today even as they threaten the future of the force.



would nearly double by 2018 and remain tied to annual cost-of-living adjustments (COLAs). Deductibles would also nearly double. TRICARE for Life, the Medicare supplement for military retirees over age 65, would institute new annual enrollment fees—in addition to existing Medicare Part B premiums—that would then quadruple over five years. Prescription drug co-pays would increase sharply (even though retirees have already endured recent fee hikes in this area). And none of these fees would count toward the annual limit on out-of-pocket costs that protects retired servicemembers from financial catastrophe.

#### TRICARE

The administration has again requested that Congress authorize massive fee hikes for military retirees' access to health care. TRICARE Prime annual enrollment fees would skyrocket (see chart) and become means-tested. TRICARE Standard and Extra options would see immediate new annual enrollment fees that

### Proposed TRICARE Fee Hikes for Military Retirees

*(President's Fiscal Year 2014 Budget)*

	Current	FY 2014	FY 2018	After FY 2018
<b>TRICARE Prime*</b> <i>Annual family enrollment fee</i>	<b>\$539</b> <i>Office visit co-pay: \$12</i>	<b>\$548–\$900</b> <i>Office visit co-pay: \$16</i>	<b>\$594–\$1,840</b> <i>Office visit co-pay: \$16</i>	<b>Indexed to gross retired pay</b>
<b>TRICARE Standard/Extra</b> <i>Annual family enrollment fee</i>	<b>\$0</b>	<b>\$140</b>	<b>\$250</b>	<b>Indexed to COLA increase</b>
<b>TRICARE Standard/Extra</b> <i>Annual family deductible</i>	<b>\$300</b>	<b>\$320</b>	<b>\$580</b>	<b>Indexed to COLA increase</b>
<b>TRICARE for Life*</b> <i>Annual fee (per person)</i>	<b>\$0</b>	<b>\$150–\$200</b>	<b>\$613–\$818</b>	<b>Indexed to gross retired pay</b>
<b>Catastrophic Cap</b>	<b>\$3,000</b>	<b>Indexed to Cost-of-living adjustment (COLA) increase</b> <i>TRICARE enrollment fees would not count toward this cap</i>		
<b>Pharmacy Co-pays</b> <i>Retail—1-month supply</i>	Generic: \$5 Brand: \$17	Generic: \$5 Brand: \$26	Generic: \$9 Brand: \$34	
<b>Pharmacy Co-pays</b> <i>Mail-order—3-month supply</i>	Generic: \$0 Brand: \$13 Non-formulary: \$43	Generic: \$0 Brand: \$26 Non-formulary: \$51	Generic: \$9 Brand: \$34 Non-formulary: \$66	

\*Fees would be based on a percentage of gross retired pay—between a minimum and a maximum amount—with a higher maximum for flag officers.

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A further concern—and even more imminent—is that federal budget sequestration cuts could affect TRICARE contracts with health care providers within a few months. Even the possibility that payments might be deferred is sure to make providers consider refusing service to TRICARE patients; meanwhile, those who receive care at military treatment facilities will also be affected by upcoming furloughs of civilian health care workers in those facilities.

### **Servicemember pay**

The administration requested only a 1 percent pay raise for military personnel in 2014. If enacted at that level, this pay raise would be the lowest since 1958 and would fail to keep pace with average private-sector wage growth. That means that in real terms, military service would become a less attractive option not only for new recruits but also for those mid-career servicemembers deciding whether they should pursue a potentially more lucrative civilian job.

Of much greater long-term impact is the proposal to change the way in which annual COLA increases are calculated for military retired pay (and Social Security benefits). Some have attempted to portray moving away from the current system to the use of the “chained” Consumer Price Index (CPI) for calculating economic growth as merely a technical adjustment. In reality, it is a budget gimmick that would seriously impact servicemembers’ lifetime earnings. If enacted, this proposal could cause a military retiree to lose almost 10 percent of his or her earned compensation over a lifetime.

Still other ideas abound to seriously restructure the entire military retirement system. Some of these include forcing retirees to wait many years after the end of their service before they can begin receiving retired pay, creating 401(k)-like investment accounts for servicemembers who do not commit to full careers and even removing all vestiges of the defined-benefit system that protects servicemembers from risk. It is crucial that military compensation fairly accounts for the unique hardships of military life, maintains



incentives for individuals and families to commit to military careers and guards these volunteers from unnecessary and undeserved financial risk.

### **Commissaries**

Defense budget cuts seem to be falling disproportionately on the commissaries that support servicemembers and their families around the world. The Defense Commissary Agency has been required to plan to cut its budget by as much as 33 percent—even though it has already been cut from over \$2 billion down to \$1.4 billion in recent years.

Because the vast majority of the agency’s budget pays employees’ salaries, there will be little choice but to close numerous stores and cut employees’ hours. Adding to these imminent cuts is an existing Defense-wide hiring freeze; many stores are already struggling to keep operating. Further, many employees of commissaries are military spouses who will lose their jobs if stores close. This crisis is yet another example of unwisely creating disincentives for military service.

### **Conclusion**

Defense budget uncertainty—particularly the environment created by budget sequestration—is unnecessarily breaking faith with those few volunteers who sacrifice the most to earn their compensation. Most disheartening of all is the fact that despite arguments to the contrary, defense health care costs are not out of control; the nation can afford to pay its servicemembers and military retirees what they are owed; and the many severe cuts underway to the quality of military life are not necessary. Servicemembers—not even 1 percent of the population—and their families did not cause the nation’s fiscal problems and should not shoulder the burden of solving them. Instead of pinching pennies in the wrong places, it is critical that Congress and the administration take steps to preserve the all-volunteer force, maintain its excellence and pay for those unique mechanisms that attract and retain its most important resource—its people.