

Military Officers Association of America Retiree Appreciation Day Legislative Update



Presented by
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Deputy Director, Benefits Information Department
Military Officers Association of America

Before we say anything else...

To All of You Who...
are wearing the uniform...
have worn the uniform...
supported your Service member...

THANK YOU!

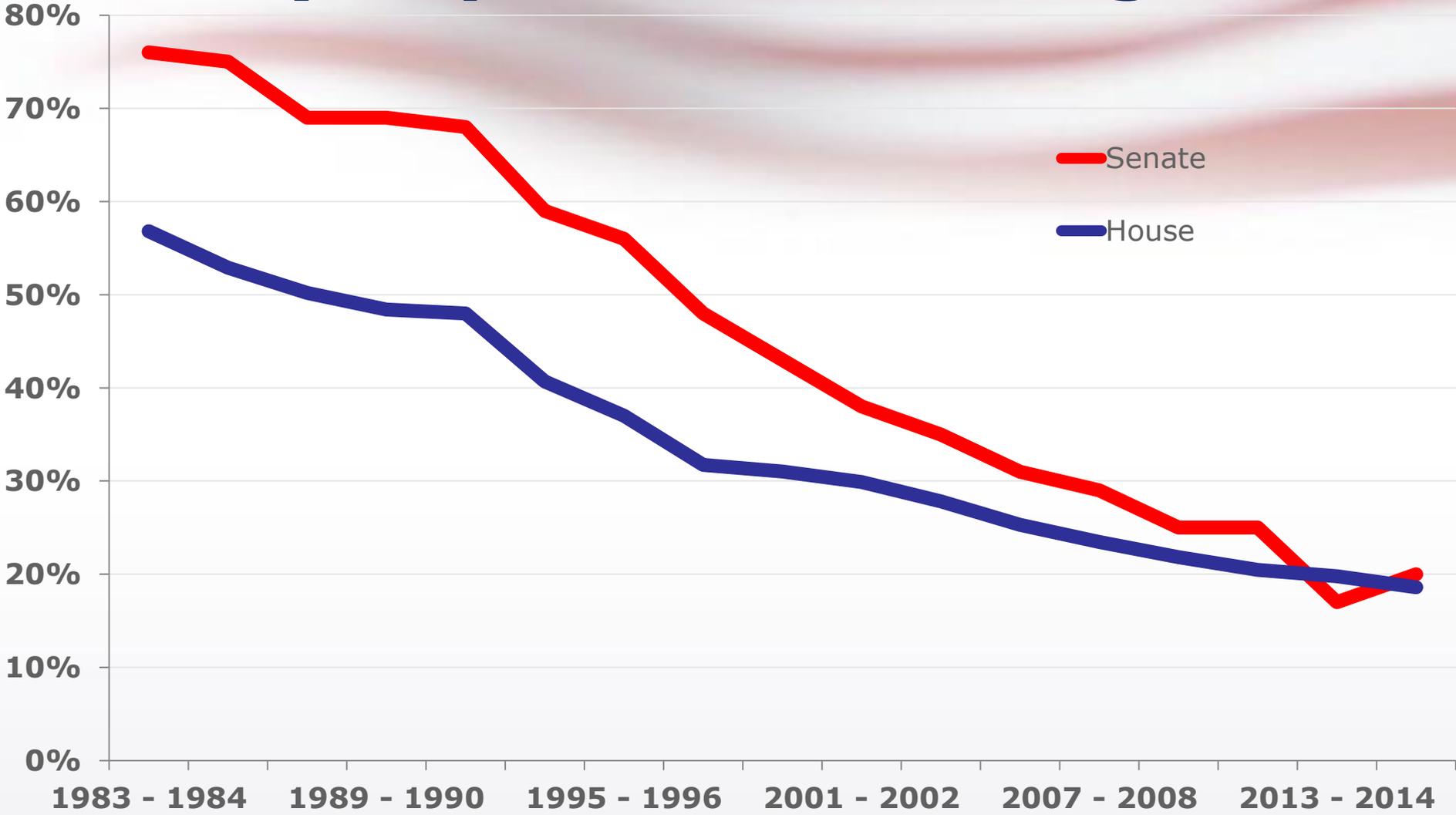
The Military Coalition

32 Associations

AAAA	COA	MCRA	NGAUS
AFA	CWOA	MCA	ROA
AFSA*	EANGUS	MOAA*	TREA
AFWOA	FRA	MOPH	USCGPOA
AMVETS	GSW	NAUS	USAWOA
AMSUS	IAVA	NMFA	VFW
AUSA	JWV	NCOA	VVA
AUSN	MCL	NERA	WWP

Some Legislative History

Military Experience in Congress



	1991-1992	1995-1996	1999-2000	2003-2004	2005-2006	2007-2008	2009-2010	2011-2012	2013-2014	2015-2016
Senate	68%	56	43	35	31	29	25	25	19	20
House	48%	37	31	27	25	23	22	20	19	18

13 Years of Wins

- **Major Pay Raises for Currently Serving**
 - 14% extra over 2000s; up to \$10,000 extra pay per year today; extra \$4600 per year in retired pay
- **Survivor Benefit Upgrades**
 - Ended Social Security offset; up to \$9000 extra pay per year –PLUS SSIA
- **Defeated Major TRICARE Fee Hikes**
 - Stopped TFL annual fee; saved up to \$3200 over 5 years
 - Stopped huge Tricare Prime fee increases; saved \$4600 over next 5 years
 - Stopped huge Tricare Standard fee increases; saved \$1600 over next 5 years
- **TRICARE For Life/TRICARE Senior Pharmacy**
 - TFL eliminated need for Medicare Supplement; saved up to \$5000 per year
 - Reduced pharmacy costs potentially into the \$1000s
- **Concurrent Receipt**
 - extra pay up to \$35,000 per year for 100% rated; up to \$13,200 for 60% rated
- **Major Post 9-11 GI Bill with transferability option**
 - Seriously?! Have you checked college costs lately? This is an incredible benefit.
- **Repealed REDUX Retirement Penalties**
 - \$400,000 up to \$700,000 extra after 40yrs

13 Years of Wins

- Reserve TRICARE Coverage (& Premium Cut)
- End Strength Increases
- Wounded Warrior Protections
- Caregiver Enhancements
- G/R Retirement Age Credit for AD Svc

What would have been the case if no one lobbied for military members?

Where Did the Wins Get Us...

13 Years of "Wins"

- **We fixed years of previous budget cuts**
 - **Fixed** - 13.5% pay gap
 - **Fixed** - 25% reduction in retirement value
 - **Fixed** - 19-20% out-of-pocket housing costs
 - **Fixed** - Ability to recruit and retain
- **New DOD spin:**
 - from 'slow the growth' to 'overshot the mark'
 - Referencing: growth since 2000



Legislative Arena Going Forward

Five-Year Outlook

- **Tough under any scenario**
 - DoD already cut \$500B; sequestration \$500B more
 - BCA* in 4th year – 6 more to go bigger cuts in FY 16(+)
 - Compensation commission recommendations challenging (MCRMC, more later)
- **Congress must provide sequestration relief**
– budget cuts will only get worse
- History shows we'll likely cut too deep again (we're starting down that path)
- MOAA Goal: Avoid **Disproportional Sacrifice**

What You Hear in the Media- Is This True?

“Health care **costs are eating the Department alive.**” - former SecDef Robert Gates (2006-2011)

“Senior Pentagon officials told Congress on Tuesday that **troops are willing to sacrifice portions of their pay and benefits** if it means keeping and improving the training and equipment needed to do their jobs.” (Military.com 26Mar14)

“The Defense Department **must “slow the rate of growth” in military pay and compensation** or the organization will not be able to fight and win the nation’s wars, Acting Deputy Defense Secretary Christine H. Fox said here today.” (American Armed Forces Press 28Jan14)

Personnel Costs Spiraling?

SecDef Hagel: "...make tough choices to bend the curve on personnel"

Army CoS GEN Odierno: Army personnel costs to reach "80 percent" of total budget by end of decade

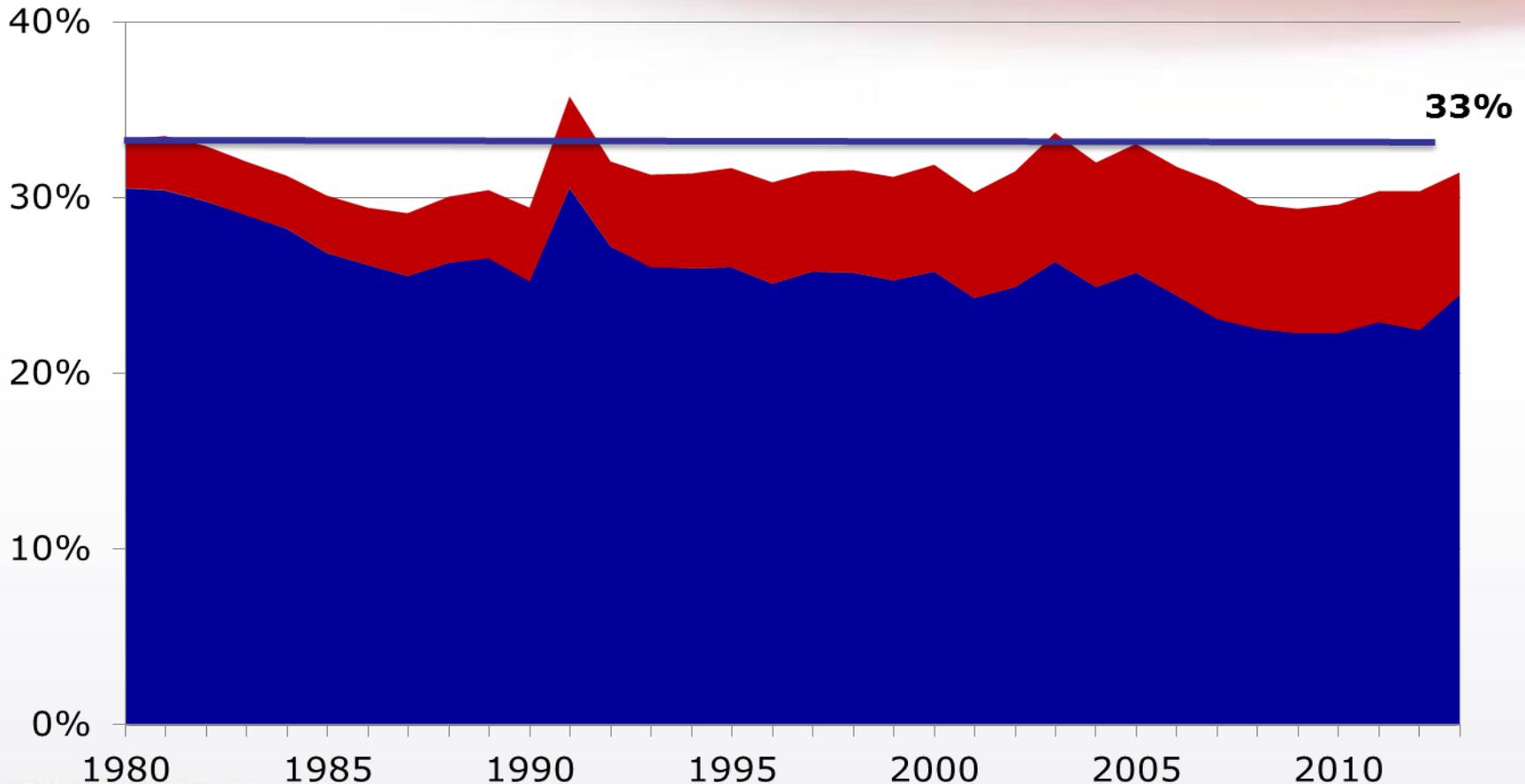
CNO ADM Greenert: 50% of DoD budget and "will be 60% and then 70% in a decade-plus."

Comd USMC GEN Amos: by 2025 or so, "98 cents of every dollar [will be] going for benefits."

AF CoS GEN Welsh: Time will come when "...all we're doing is paying our people."

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.



Is One-third Too High?

FY 2013 DoD budget says personnel and health care costs now consume one-third of the budget

Private sector personnel costs

UPS	61%
------------	------------

FedEx	43%
--------------	------------

Southwest	31%
------------------	------------

Health Costs In Perspective

DoD: “Nearing 10% of Budget”

But Health Costs Are:

- **23% of Federal Budget**
- **22% of Average State Budget**
- **16% of Household Discretionary \$**
- **16% of U.S. GDP**

So DoD’s 10% Is a Bargain

Plus...DoD management is inefficient

What the Troops Really Think

“Should future soldiers' benefits remain as-is even if it leads to deficits or be reduced?” **83% Do Not Reduce**

(WashPost/Kaiser Poll, Mar 2014)

“The Defense Department should cut personnel costs and benefits during the next several years in order to help reduce the national deficit and debt.” **84% Don't Agree**

(Military Times, 2012 Poll)

“The survey, conducted by Blue Star Families, queried more than 5,000 military family members in November 2012.

Military **pay and benefits** and potential **changes in retirement benefits** **ranked as the first and second most important** issues to respondents.” (Military.com, May 2013)

Per DOD, “Slow the Growth”

Growth hasn't just “slowed”...

It's declined – to -2% per year avg

- **16% TRICARE Prime fee increases with future increase tied to COLA**
- **Pharmacy increases with future increases tied to COLA**
- **Mandatory mail-order for TFL**
- **End strength cuts: 124K and additional 78K+**
- **Pay raises since 2010 averaged 1.4% with 1% in 2014 & 2015 lowest in 50 years**

Personnel/Health Care Growth Rate

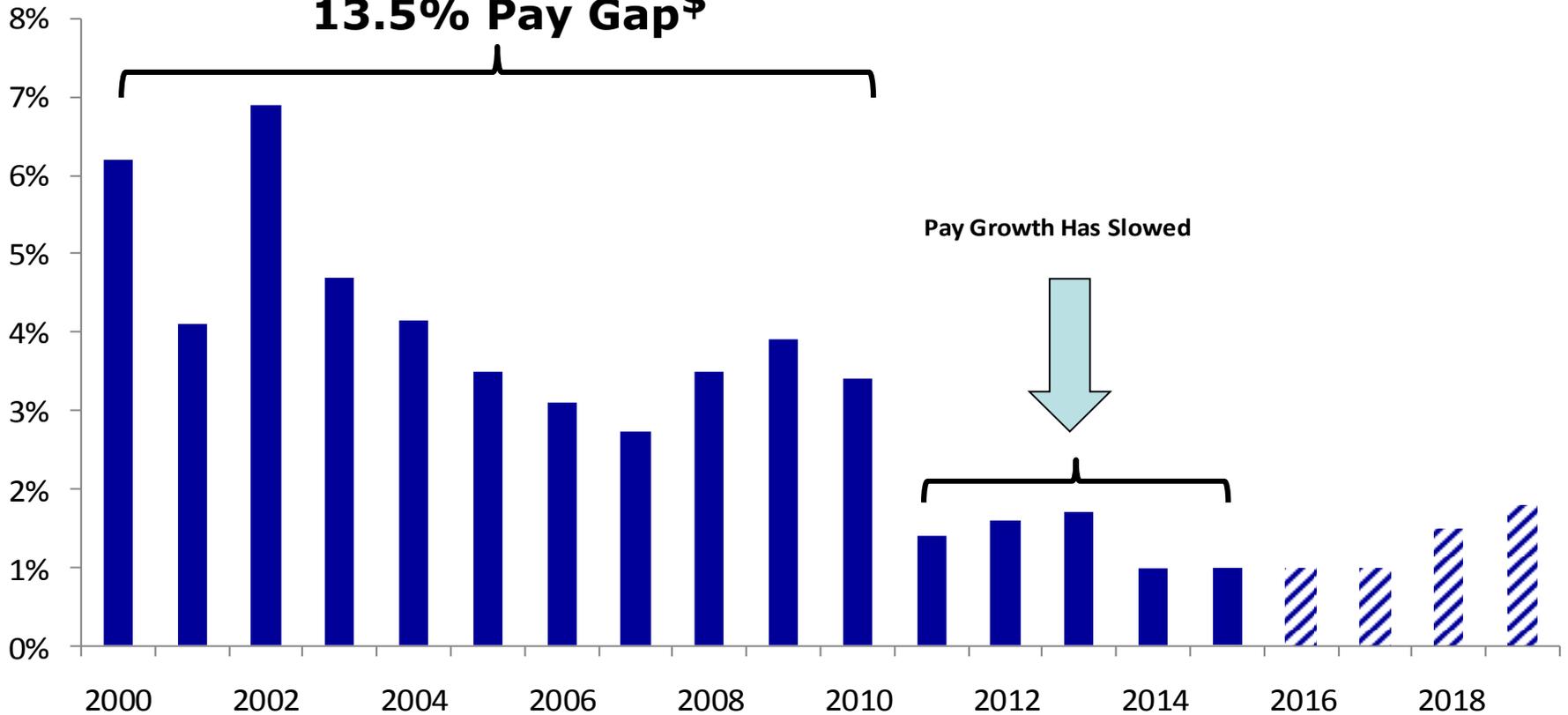
Defense Personnel and Health Programs



DOD-President's FY2016 Budget Proposals

Military Pay Raises Since 2000

Congressional Support to Eliminate 13.5% Pay Gap^{\$}



^{\$} Pay gap per Employee Cost Index (ECI)

FY2016 requires a 2.3% raise to get back to ECI

DOD Proposal is for 1.3%

Housing and Commissary

- **Phased-in reduction to Basic Allowance for Housing (BAH)**
 - **1% less BAH in each FY2015, 2016, 2017**
 - **Talk of total 5% decrease in BAH**
- **Phased-in \$1 billion cuts to commissary**
 - **Phased-in over next several years**
 - **Commissary budget is \$1.4 billion**
 - **Cut would reduce savings by 66%**



DOD-President's Budget Currently Serving Impact

Annual loss of purchasing power from FY 2016 proposed budget
(Active Duty family of four with 10 years of service)

	E-5	O-3
Loss of Basic Pay*	\$979	\$1,867
Basic Allowance for Housing	\$1,224	\$1,584
Commissary#	<u>\$2,970</u>	<u>\$2,970</u>
Total Annual Loss	\$5,173	\$6,421

TRICARE Proposal

Retiree Under Age 65 – Family rates

	Existing Prime	Existing Standard	Consolidated Option
Enrollment Fee	\$539	\$0	
Doctor Visit Copays*	\$60	\$0	
Rx Cost Shares [#]	\$204	\$204	
Deductible	\$0	\$300	
Yearly Cost	\$803	\$504 [@]	

@ PLUS Tricare Standard co-insurance at 20-25% of bill after deductible

*** Assumes 5 doctor visits in network per year**

Assumes 1 brand name prescription at a retail pharmacy and 3 generic mail-order maintenance medication prescriptions per month



TRICARE Proposal

TFL Annual Enrollment Fee (Family of Two#)

	FY 2016	FY 2017	FY 2018	FY 2019*	FY 2020
% of Retired Pay	0.5%	1%	1.5%	2%	2%
Ceiling	\$150	\$300	\$450	\$600	\$614



Individual fee is half of family fee—1% 2019

*** Fees for FY19 and beyond are indexed to COLA**

TRICARE Proposal

Pharmacy Increases

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Retail (30 day) Generic	\$5	\$8	\$8	\$8	\$9	\$10
Brand	\$26	\$28	\$30	\$32	\$34	\$36
Non-Form*	N/A	N/A	N/A	N/A	N/A	N/A
Mail Order (90 day) Generic	\$0	\$0	\$0	\$0	\$9	\$10
Brand	\$26	\$28	\$30	\$32	\$34	\$36
Non-Form	\$51	\$54	\$58	\$62	\$66	\$70
MTFs	\$0	\$0	\$0	\$0	\$0	\$0



* Retail non-formulary pharmaceuticals limited availability

All maintenance meds must be filled at MTFs or mail order

Concurrent Receipt

**Full Payment of
Retired Pay and VA Compensation**

Retiree Tax on the Disabled

**Thousands of disabled retirees forced to
fund their own VA disability
compensation**

Lose \$1 retired pay for each \$1 from VA

Concurrent Receipt

How it Works

CR – restoration of vested retired pay due to years of service

Without CR

Retired pay
- VA Waiver
Net Retired Pay
+
Full VA comp

**Total
compensation**

Without CR

<50% VA rating **or**
<20 years of service
No Service combat rating

With CRDP

Retired pay
- ~~VA Waiver~~
Full Retired pay
+
Full VA comp

**Total
compensation**

CRDP

50%(+) VA rating **and**
20(+) years of service
Automatic approval

With CRSC

Retired pay
- VA Waiver
Net Retired pay
+
Full VA comp
+
CRSC Check

**Total
compensation**

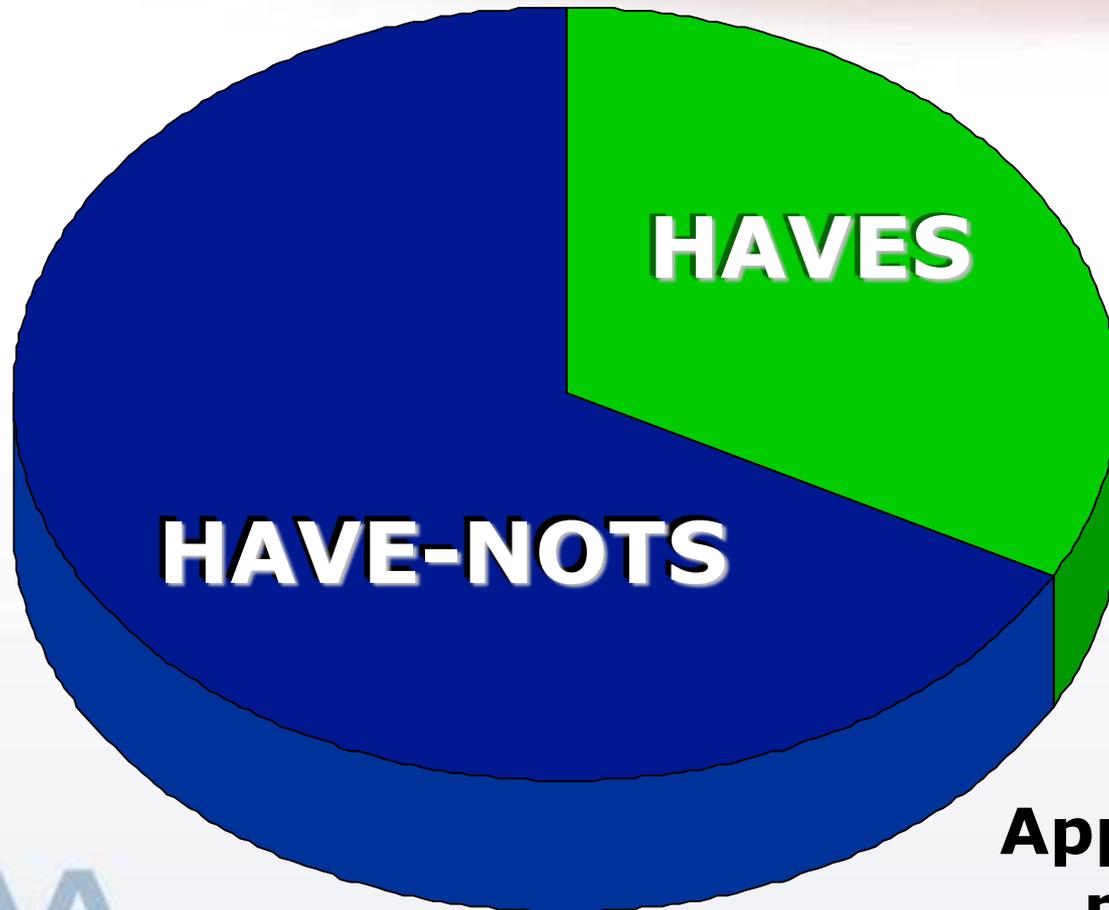
CRSC

Any VA rating
Any years of service
Must be combat rated
by applying to Service

Congress Has Fixed For Some

	<u>Combat Related</u>	<u>Non-Combat Related</u>
20+ Yrs/100% and IUs	Yes	Yes
20+Yrs/50+% Disability	Yes	Yes
20+ Yrs/0-40% Disability	Yes	No
Under 20 Yrs—Med Retire	Yes	No

Concurrent Receipt Haves vs. Have-nots



**Approx. 825K
potential
eligibles**

Survivor Benefit Program (SBP)

SBP Still Not Fixed

- **Social Security Offset was eliminated...**
- **The SBP-DIC Offset was not.**
- **Offset is dollar-for-dollar:**

Special Survivor Indemnity Allowance (SSIA)

FY2014 - \$100 month

FY2015 - \$150

Ends in FY2018

$$\begin{array}{r} \$SBP \\ - \underline{\$DIC} \\ \text{SBP "Benefit"} \\ \longrightarrow + \underline{\$SSIA} \\ \text{Max Benefit} \end{array}$$

SBP-DIC Offset

- SBP & DIC Paid for Different Reasons
- SBP is Purchased Insurance
- DIC Should Be Added Indemnity for Service-Caused Death
- Survivors of Fed Civilian-Vets Don't Forfeit Civilian SBP When DIC Payable

Cost of Living Adjustment (COLA)

Where's the COLA?

Fiscal Year	Percent Increase
2012	3.6
2013	1.7
2014	1.5
2015	1.7
2016	-2.5% January

Military Compensation and Retirement Modernization Commission (MCRMC)

Military Compensation and Retirement Modernization Commission (MCRMC)

Big 3 of 15 recommendations

Retirement –

- TSP with bonuses and matching contribution
- Reduced retirement benefit at 20 years (40% base pay)
- Full retirement at Full Retirement Age for Social Security

Survivor benefit – Your choice:

- SBP with a future DIC offset, premium 6.5% of retired pay
- SBP without future DIC offset, premium 11.25%

Healthcare –

- Eliminate Tricare as we know it (age 64 and younger)
- Provide a plan like federal civilians
- For currently serving family members only and retirees
- Premium set at 50% of median cost for your area annually



More on Healthcare Later...

Military Compensation and Retirement Modernization Commission (MCRMC)

The Other 12 recommendations

1. Financial education
2. Streamline Reserve duty status
3. Joint Command for casualty care
4. Health care for special needs families
5. Better transition health care process (mil to VA to civ)
6. Commissary-Exchange consolidations
7. Better on-base child care
8. Streamline education programs
9. Better transition process (mil to civ jobs)
10. Financial aid for nutrition needs
11. Expand Space-A travel
12. Measure military life impact on children's school work

Tricare Replacement

- Keep Base hospitals, Tricare for Life and Tricare Pharmacy
- The Service-member remains under base care
- **Eliminate** Tricare programs for **Service family members, Guard/Reserve, and retirees** (under age 65)
- New program (Tricare Choice) similar to:
 - **Federal Employee Health Benefit Plan**
 - Choice of plans; varied premiums

Tricare Choice

- Premiums 20% of median rate in area
 - Reset annually
- Active duty families provided Healthcare allowance
 - Allowance is 28% + misc median area rate
- Administrator: Office of Personnel Mgt (OPM) for Tricare Choice plans
 - ❖ You can choose outside Tricare Choice plans



This Brings Us to Here...

Where We Stand

Stop bad practices:

- **“Piecemeal” changes run contrary to Congressionally-mandated MCRMC**
- **Strictly budget driven changes are not strategic**
- **No budget balancing on backs of military members and families**
- **Don’t repeat bad history leading to serious, long-range recruiting and retention problems**

MOAA's "Lines in the Sand"

- **No breaking of faith with currently serving**
- **Sustain military pay comparability**
- **Oppose disproportional health care cost increases**
- **Preserve military retirement (past, present & future)**
- **Keep up the fight on SBP/DIC and Concurrent Receipt**
- **Preserve COLA (retirees)**





**The Dirt Simple Way
to
Contact Your Politicians**



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Why Should You Join?

MOAA members have access to services specifically designed for them.

MOAA is the professional association for military officers and their families at every stage of life and career.

Ryan to Congress: TRICARE Status Quo Unacceptable

MOAA President, Vice Adm. Norb Ryan, USN-Ret., testified before the Senate Armed Services Committee's subcommittee on personnel, urging them to consider any changes to the TRICARE program that potentially would have a negative impact on the military.

Legislative Update

- Health Care Deadline Looming
 - FY 16 Budget Takes Center Stage
 - Congress Throws Coast Guard a Life Vest
- View the Monthly "The Bottom Line" Column

MOAA Today

- 2015 Tax Guide
Our Tax Guide gives you state-by-state tax information and other general info for military servicemembers, veterans and their families. Find the latest tax forms, personal income tax rates and property taxes.
- The Campaign to Change Direction

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FEATURED ALERT

Oppose Taxing Military People First

MOAA is bringing more than 160 people to Washington to Storm the Hill this Wednesday, April 18.

They'll visit most legislators to oppose large TRICARE fee hikes, excessive force reductions and unwise military retirement changes.

...

[Take Action](#)

Legislative Alerts and Updates

Oppose Disproportional TRICARE Fee Hikes

The Administration has proposed significant increases in health fees for nearly all categories of beneficiaries, including TRICARE Prime, TRICARE Standard, and TRICARE For Life. ...

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President & Congress

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It is an independent, nonprofit, politically nonpartisan organization.

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YOU MAKE THE DIFFERENCE!

Without Your Grassroots Support and
Pressure on Your Legislators...

By ourselves, we can't be as effective on
your behalf!

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Concurrent Receipt: HR303, HR333, S271

Agent Orange Blue Water Navy: S681, HR969

VA Process Improvement: HR216

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Why Should You Join?

MOAA members have access to services specifically designed for them.

MOAA is the professional association for military officers and their families at every stage of life and career.

MOAA Defends Healthcare Benefits for Military

Retired Col. Steve Strobbridge, government relations director at Military Officers Association of America (MOAA), was the sole military association witness testifying at a March 21 House Armed Services Military Personnel Subcommittee hearing. (photo by Steve Barrett)

Legislative Update

- As I See It - Are You An "Unfunded Liability"?
- MOAA Storms The Hill for You
- Military Champions Honored
- MOAA Testifies on Veterans' Health Care

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Poll of the Week

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Current Legislation

Key Bills in Congress

Retirement Issues

Bill Name	Number of Sponsors	Position
S. 271 - Retired Pay Restoration Act	12 (1 R, 11 D)	We SUPPORT this legislation
H.R. 333 - Disabled Veterans Tax Termination Act	34 (13 R, 21 D)	We SUPPORT this legislation
H.R. 303 - Retired Pay Restoration Act	25 (17 R, 8 D)	We SUPPORT this legislation

Health Care Issues

Bill Name	Number of Sponsors	Position
S. 185 - PATH Act	4 (3 R, 1 D)	We SUPPORT this legislation
S. 172 - Access to Appropriate Immunizations for Veterans Act	1 (1 D)	We SUPPORT this legislation
S. 170 - CHAMPVA Children's Care Protection Act	7 (1 R, 6 D)	We SUPPORT this legislation
H.R. 218 - CHAMPVA Children's Protection Act	4 (4 D)	We SUPPORT this legislation

Spouse/Family Issues

Bill Name	Number of Sponsors	Position
S. 210 - Military Spouse Job Continuity Act	8 (4 R, 4 D)	We SUPPORT this legislation

Veterans and Other Issues

Bill Name	Number of Sponsors	Position
S. 681 - Support the Blue Water Navy Vietnam Veterans Act	4 (1 R, 3 D)	We SUPPORT this legislation
H.R. 969 - Support the Blue Water Navy Vietnam Veterans Act	181 (77 R, 104 D)	We SUPPORT this legislation
H.R. 216 - Develop a Long-Term Veterans Strategy	4 (1 R, 3 D)	We SUPPORT this legislation

Congressional Bill Search: enter key word(s)

Military Officers Association of America

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Who Are We? Why MOAA?

- **We are your advocate on Capitol Hill**
 - Currently Serving
 - Retired
 - Veterans
 - Family members
 - All ranks
 - All components
- **Fourth largest military organization—Powerful Voice**
 - Behind VFW, American Legion, Disabled American Vets
 - **One of Top 100 most influential people on the Hill***
 - **Top military lobbyist per “The Hill” newspaper 7 years**
- **Our mission is only “people issues”**
 - Not hardware, missions
- **Non-partisan**
 - We’re about people; not which side of the aisle you’re on
- **Co-Chair of the 33 member Military Coalition**



* **Defense News and the Military Times Newspapers**

THE HILL



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by THE HILL newspaper:
8 years in a row
2007 - 2014