



MOAA Heart of America Chapter

Legislative Update

By

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Agenda

- **FY17 Budget Details**
 - Pay Raise and BAH Caps
 - Commissary Funding Cut
 - Concurrent Receipt Status
- **Hill-Storming Issues**
 - TRICARE Reform
 - SBP-DIC
- **Other Questions/Discussion**

FY17 Budget Details

FY 17 Pentagon Budget Proposal rehashes previous 3 years; includes:

- **Caps AD pay raise at 1.6%; below ECI for 4th year**
- **Continues BAH cuts increasing out-of-pocket expenses (5%)**
- **Continued pressure for commissary savings**
- **Consolidates and “re-brands” TRICARE**
 - **Increase deductibles and co-pays**
 - **Increase pharmacy co-pays**
 - **New participation fee for TRICARE Standard**
 - **Establish enrollment fees (means testing) for TFLers (grandfathers those currently over 65)**

Losses From Repeated Pay and BAH Caps

E-5	2014	2015	2016	2017*
Basic Pay	\$295	\$597	\$989	\$1,201
Housing allowance†	--	\$277	\$555	\$842
Cumulative Loss	\$295	\$1,169	\$2,713	\$4,756
O-3				
Basic Pay	\$563	\$1,141	\$1,885	\$2,288
Housing allowance†	--	\$329	\$661	\$1,002
Cumulative Loss	\$563	\$2,033	\$4,579	\$7,869

*Assumes 2017 average rental prices remain flat

† Assumes Washington, DC BAH rates

Sources: DFAS, Defense Travel Management Office



Commissary Funding

- **FY16 Budget: \$300+M Budget Cut**
 - Assumed privatizing commissaries
- **FY16 NDAA: Pilots must sustain same:**
 - Beneficiary savings/satisfaction
 - Quality of goods
- **FY17 Budget: \$200+M Budget Cut**
 - Seems high to be consistent w/ FY16 NDAA Guide
 - Concerned about potential impact on benefit

Concurrent Receipt Status

- MOAA supports a plan to fully phase out the disability offset to retired pay.
- 3 Bills introduced in 114th Congress:
- H.R. 303: Rep. Bilirakis (R-FL.). 93 Cosponsors.
- H.R. 333: Rep. Bishop (D-Ga.). 76 Cosponsors
- S. 271: Sen Reid (D-NV.). 23 Cosponsors



Net Annual Impact of DoD-Proposed TRICARE Fee Hikes on Families

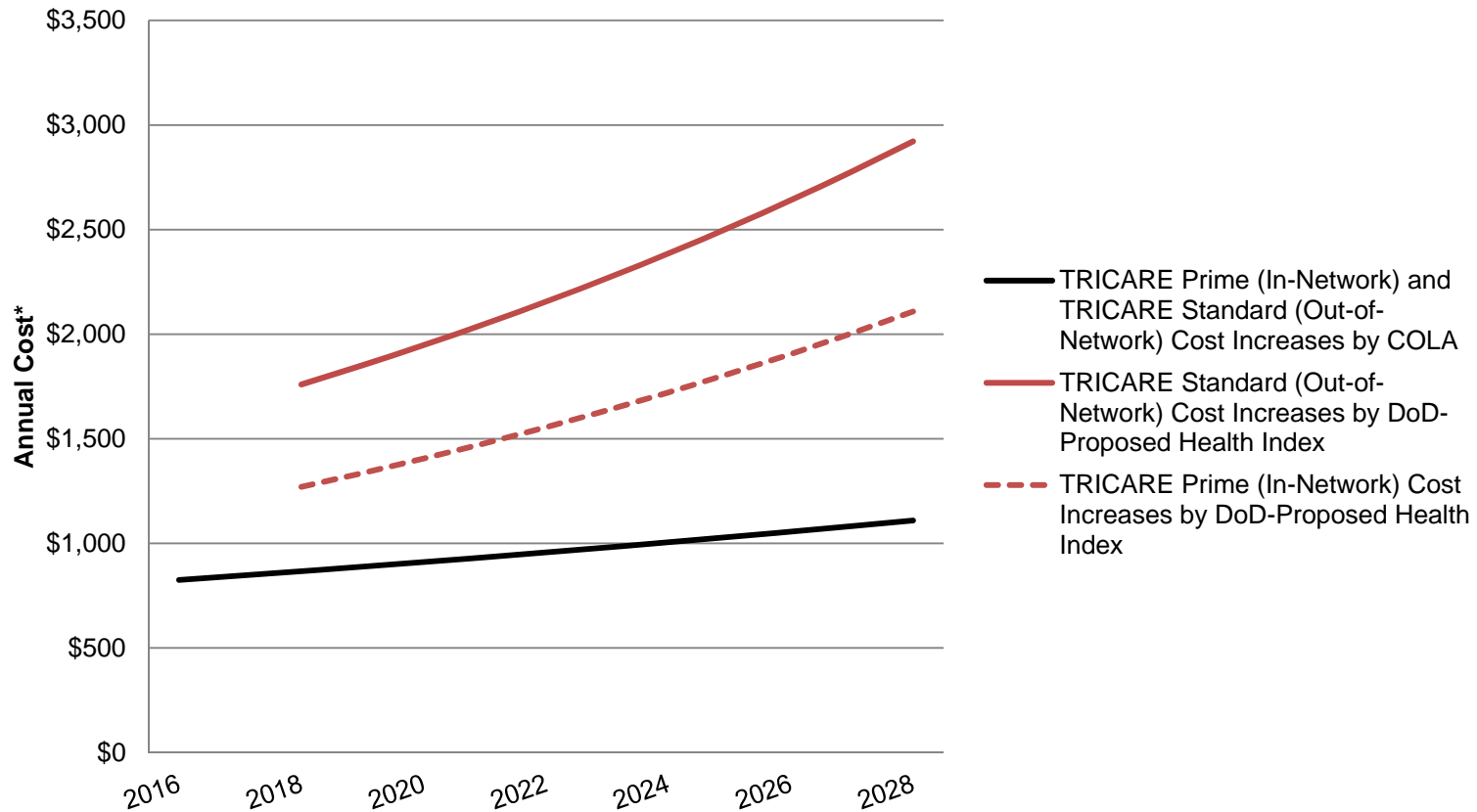
	2016	2018	
		In-Network	Out-of-Network
Active Duty	\$488	\$260	\$455
Under 65 Prime ¹	\$825	\$1,270	\$1,560
Under 65 Standard ²	\$826	\$1,515	\$1,760
TFL	\$2,896	\$3,390	

¹ Under DoD proposal, TRICARE Prime will be known as TRICARE Select

² Under DoD proposal, TRICARE Standard will be known as TRICARE Choice



Impact of Annual Adjustment to TRICARE Fees: COLA vs. National Health Expenditure



*Annual cost estimate for a retired family of four assumes: annual enrollment fee; annual deductible; 6 primary care visits, 3 specialty care visits, and 1 outpatient surgery; and 2 brand name and 2 generic prescriptions per month (initial fill retail; refills by mail-order).

DoD-Proposed Annual Enrollment Fee Per TFL COUPLE (Means-Tested)

Retired Pay	FY16	FY17	FY18	FY19	FY20	FY21
% of Gross Ret. Pay	N/A	.5%	1%	1.5%	2%	2%
Ceiling	\$0	\$150	\$300	\$450	\$600	\$632
Flag Officer Ceiling	\$0	\$200	\$400	\$600	\$800	\$842

MOAA Position

- **Oppose Disproportional Retiree Fee Increases**
- **Oppose Standard/Choice Enrollment Fee**
 - **Already pay more than Prime enrollees (deductible + 20-25% of costs)**
 - **Standard Costs DoD less than Prime, and works mostly well**
 - **Network will only cover 85%; 15% won't have "Choice"**
- **Adjust Fees by COLA, Not Health Cost Index**
 - **HCI projected to grow 5.2% annually**
 - **Fees shouldn't grow faster than pay**

MOAA Position (Cont'd)

- **Oppose Any TFL Enrollment Fee**
 - 65+ already pay highest fees (Part B)
 - Congress expressly authorized no fee in 2001
 - DoD's TFL costs spiraling downward
- **Oppose Means-Testing**
 - No employer means-tests service-earned benefits
 - Penalizes longer/more successful service

SBP vs. DIC

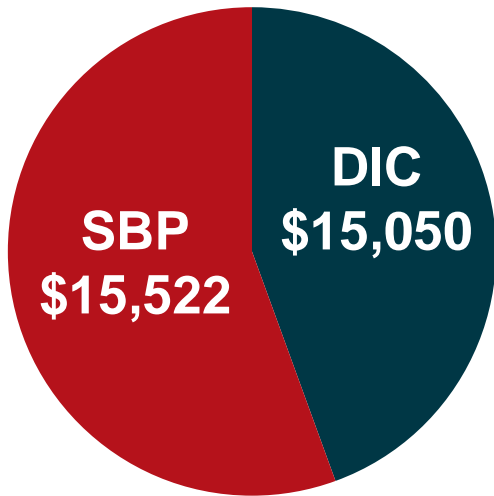
- **Dependency & Indemnity Comp. (DIC)**
 - VA benefit paid when service caused death
 - On active duty or retired status (disability)
 - Flat \$1,254/mo (about \$15,050/yr) for all grades
- **Survivor Benefit Plan (SBP)**
 - DoD benefit purchased by retirees
 - Premium: 6.5% of retired pay
 - Benefit: 55% of retired pay
 - Coverage automatic for active duty death

The “Widows Tax”

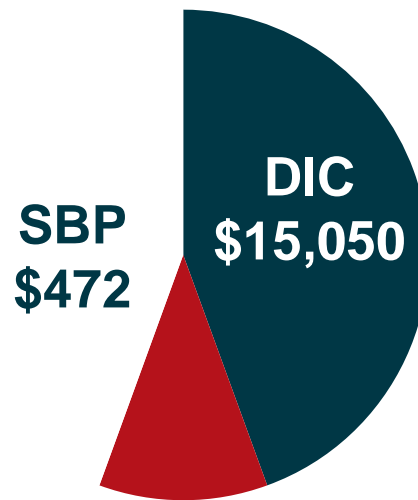
- **Law requires deduction of DIC from SBP**
 - Typically wipes out most or all of SBP

- **Veterans’ Disability Benefits Commission:**
 - The two are paid for different reasons
 - **SBP: member-purchased insurance**
 - **DIC: indemnity recompense for service-caused death**

DIC Should be Added to SBP, Not Subtracted from It



Survivors should get



But only receive



They **lose**

*Example is for E-6 with 10 YOS

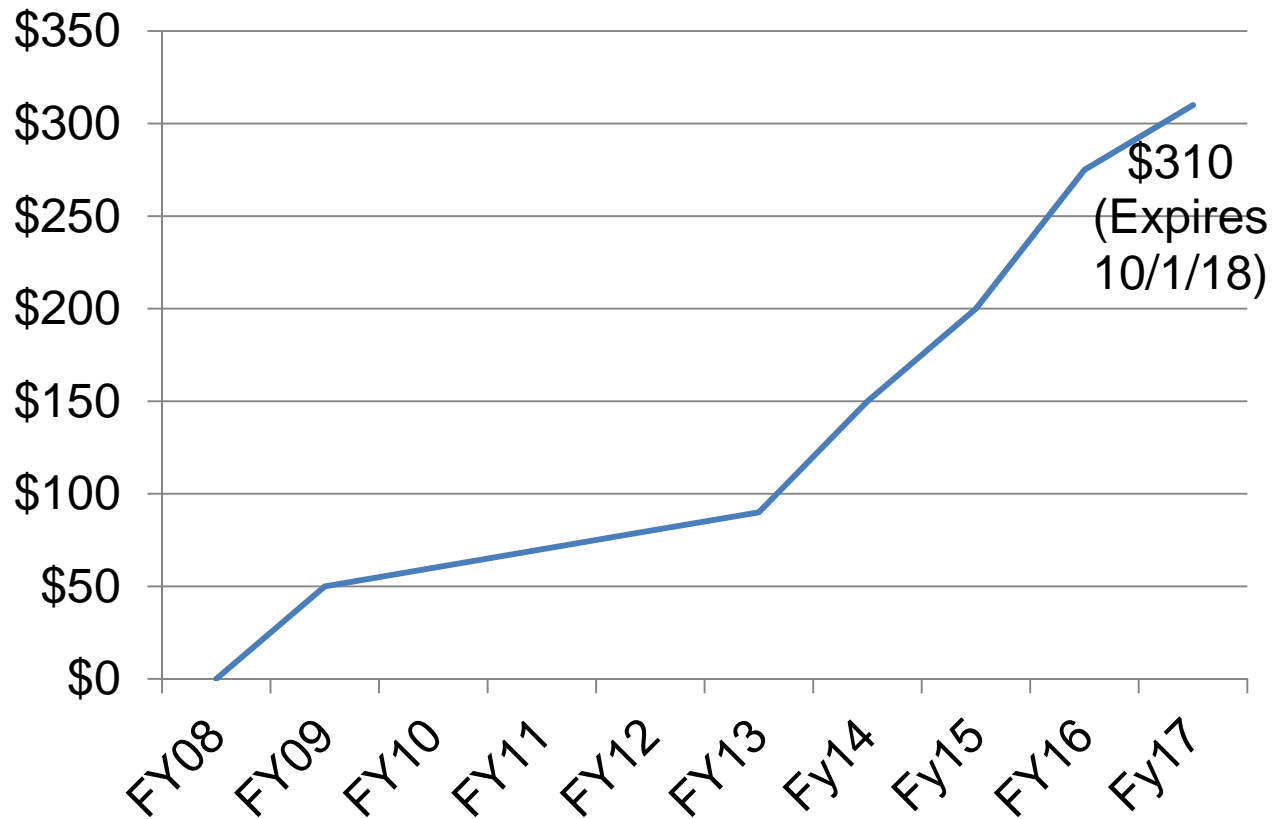
Survivor Annuity, Active Duty Death

	SBP Is	DIC Is	SBP Left After Offset	Lost SBP
O-3, 4 years	\$24,077	\$15,050	\$9,027	\$15,050
E-6, 10 years	\$15,522	\$15,050	\$472	\$15,050
E-3, 4 years	\$9,481	\$15,050	\$0	\$9,481

Survivor Annuity, Retiree Death

	SBP Is	DIC Is	SBP Left After Offset	Lost SBP
O-5 average	\$30,091	\$15,050	\$15,041	\$15,050
E-8 average	\$16,713	\$15,050	\$1,633	\$15,050

Special Survivor Indemnity Allowance (SSIA) Compensates Partially



What Next on SBP-DIC?

- **Need Action This Year to:**
 - **1st Choice: Repeal Offset Entirely**
 - **2nd Choice: Phase Out Offset via SSIA Hikes**
 - **3rd Choice: At Least Extend/Increase SSIA**
- **Or SSIA Will Expire**
- **And Widows Will Lose \$310/mo**

Looking Ahead

- **2016**
 - **FY 17 Defense Bill Apr-May Mark-ups**
- **2017**
 - **New Administration / Congress**
 - **Sequestration Still on the Table**
 - **More DoD Personnel / Health Care Reform**
 - **More VA Health Care / Benefits Reform**

Questions?

