## Military Officers Association of America Legislative Update



To All of You Who...

are wearing the uniform...

have worn the uniform...

supported your Service member...

#### **THANK YOU!**



#### The Military Coalition

#### **32 Associations -- 5.5 million voices**

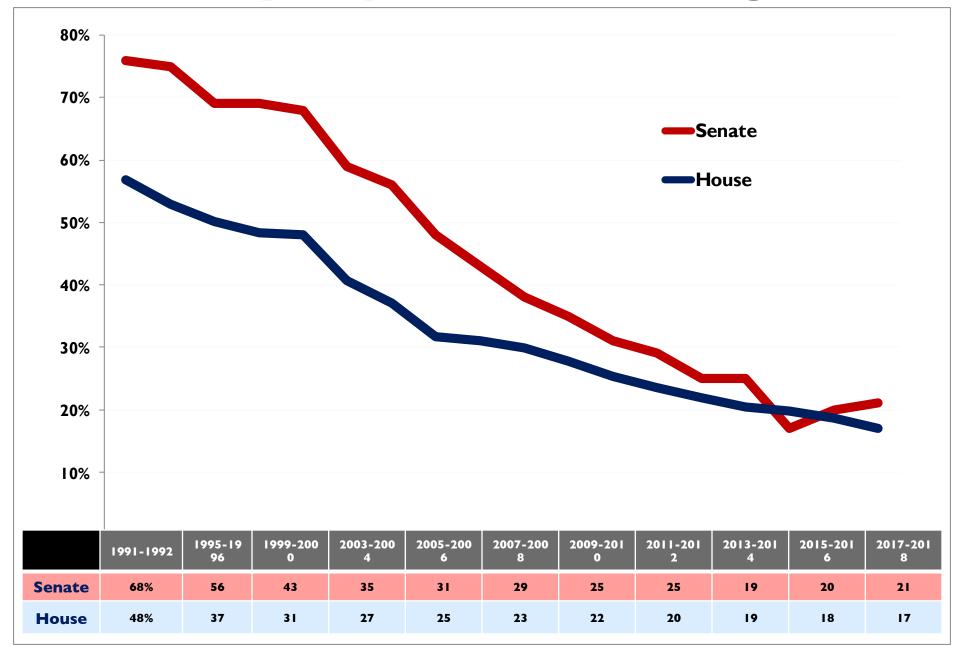
AAAA	COA	MCRA	ROA
AFA	CWOA	MCA	SWAN
AFSA*	EANGUS	MOAA*	TAPS
AFWOA	FRA	МОРН	TREA
AMSUS	GSW	NMFA	USCGCPOA
AMVETS	IAVA	NCOA	USAWOA
AUSA	JWV	NERA	VFW
AUSN	MCL	NGAUS	VVA



#### Some Legislative History



#### Military Experience in Congress



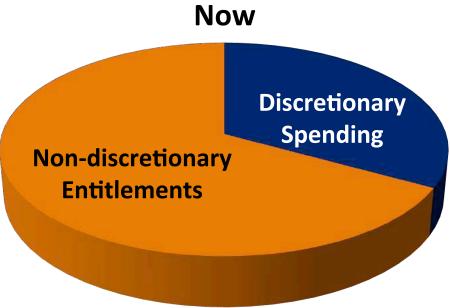
#### Where the Fed Money Goes

1965

Discretionary Entitlements

Spending

"Discretionary spending now makes up only about a third of the federal budget, with the remaining two-thirds coming from entitlement programs and other "mandatory" spending, according to figures from the **House Budget Committee**. And it wasn't always so. In 1965, those ratios were almost precisely reversed, with entitlement money making up just a third of the budget, committee figures show." Congressional Quarterly 5Feb16 "Evading the Elephant"





#### **Marketing Matters**

### As told by DoD

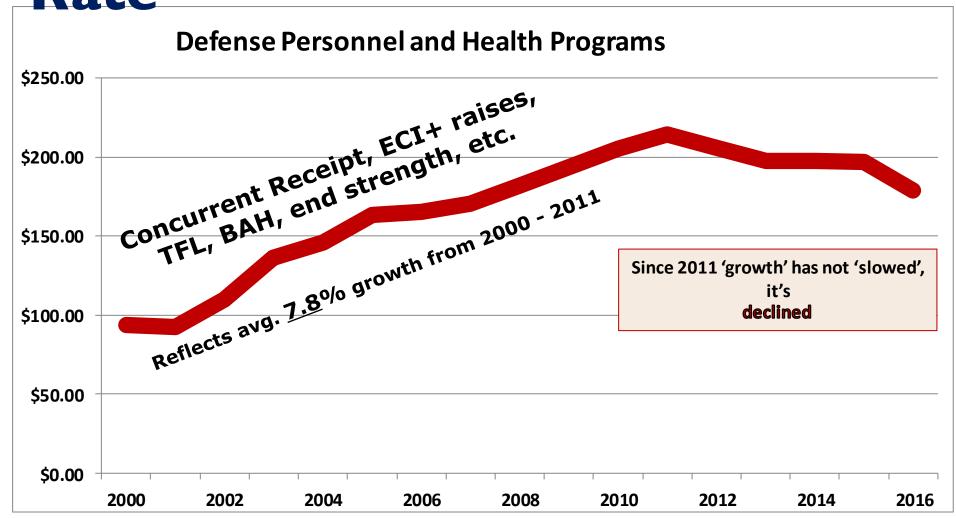
- Officials say they:
  - Must "slow the growth"
  - "Overshot the mark"
- However they use
   FY2000 as the
   benchmark for increases
- Real baseline should be 1990s

#### **Fact**

- MOAA helped fix serious problems from budget cuts in the 1990s
  - 13.5% private sector pay gap
  - 25% lifetime reduction in retirement value
  - 20% out-of-pocket housing costs
  - Health care for retirees age 65+
  - Ability for DoD to recruit and retain



## Personnel-Health Care Growth Rate



**Outlays in \$ Billions** 

Source: OMB historical tables

#### We Crunched the Numbers

#### Major Pay Raises for Currently Serving

- \$10,000 extra pay per year today
- \$4,600 extra per year in retired pay

#### Defeated Major TRICARE Fee Hikes

- \$4,600 in TRICARE Prime fee increases
- \$1,600 in TRICARE Standard fee increases
- **\$3,200** in new **TFL** fees

#### TRICARE For Life

 \$5,000 per year by not needing Medicare supplements, saving thousands in pharmacy costs

#### Survivor Benefit Upgrades

 \$9,000 for survivors extra pay per year by eliminating Social Security offset

#### Concurrent Receipt

\$35K per year for 100% rated disability



#### What Was Fixed...

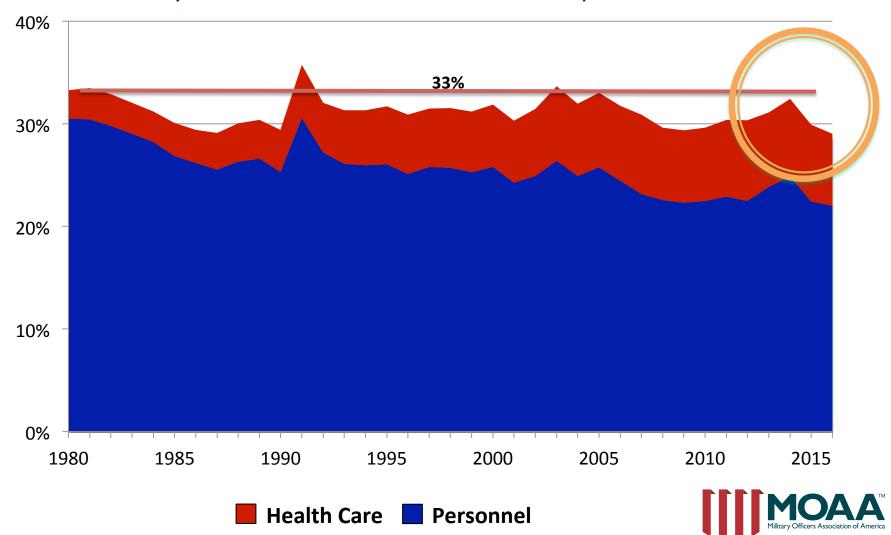
- Major Post 9-11 GI Bill with transferability option
  - Seriously?! Have you checked college costs lately? This is an incredible benefit.
- Stopped privatization and substantial cuts to commissaries
- Reserve TRICARE Coverage (& Premium Cut)
- Wounded Warrior Protections
- Caregiver Enhancements
- G/R Retirement Age Credit for AD Svc

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

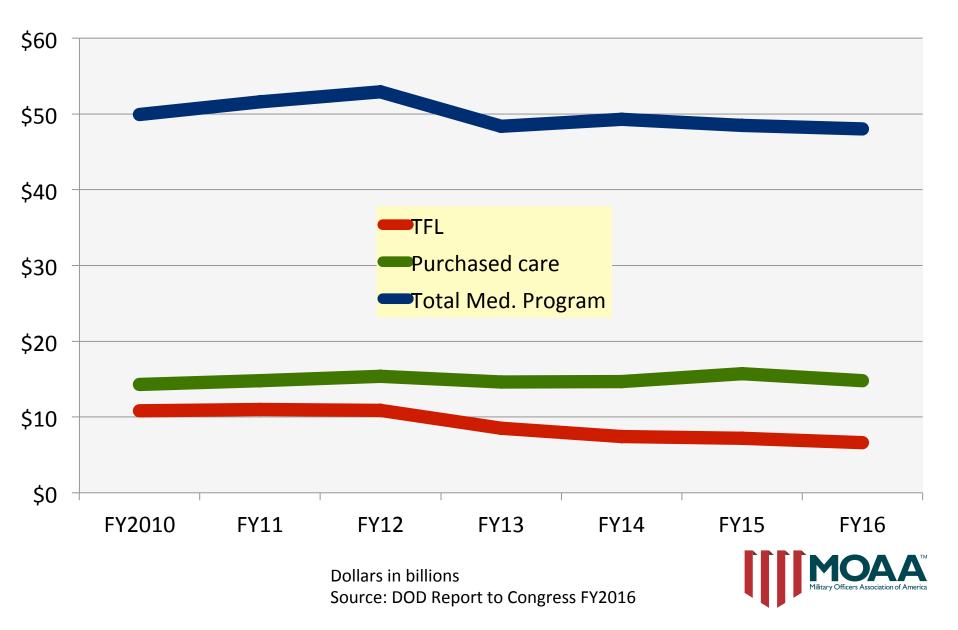


#### Military Personnel Costs Aren't Exploding

About one-third of the defense budget goes to military personnel and health care costs – the same share it has been for more than 37 years. That's no more unaffordable now than in the past.

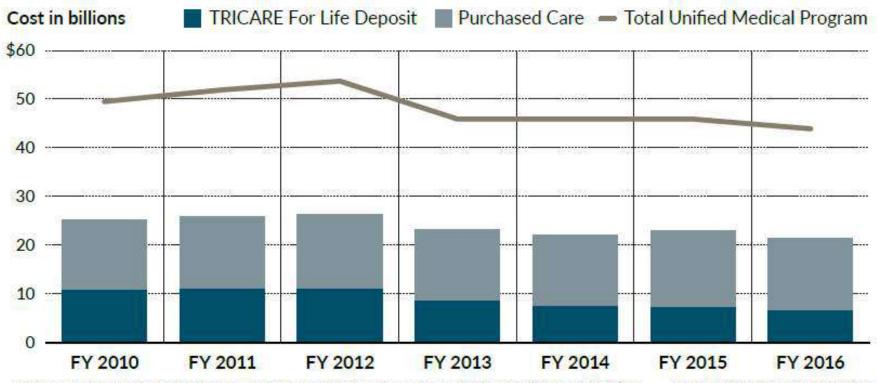


#### **DOD Health Care Costs**



#### DoD health care costs continue to decline

Officals claim health care costs are "eating the department alive," but the numbers don't back that up.



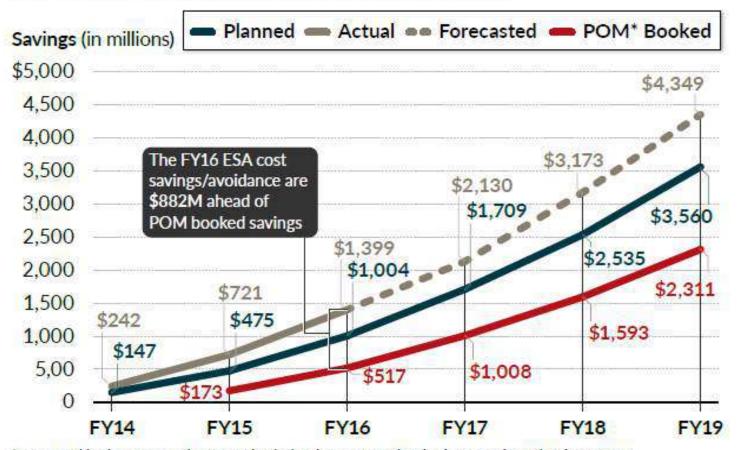
SOURCE: DOD REPORTS TO CONGRESS: MHS WORLDWIDE SUMMARY: POPULATION, WORKLOAD, AND COSTS

GRAPHIC BY JOHN HARMAN/STAFF



#### Enterprise Support Activities (ESAs)

DoD's health care savings have increased ahead of plan.



<sup>\*</sup>Program Objective Memorandum (POM) booked savings are formal projections of estimated savings to DoD.

SOURCE: DEFENSE HEALTH AGENCY

GRAPHIC BY JOHN HARMAN/STAFF



#### Pharmacy Savings

Beneficiaries are doing their part

Forecasted
Actual

Difference

FY16 Savings (in millions)

Prescription moves from Retail to Mail/MTF

\$128.8 \$78.5 \$207.3

P&T Formulary Management Processes

\$62 \$87.2

\$149.2

Brand to Generic & Contract Compliance

\$24.1 **\$37.3 \$61.4** 

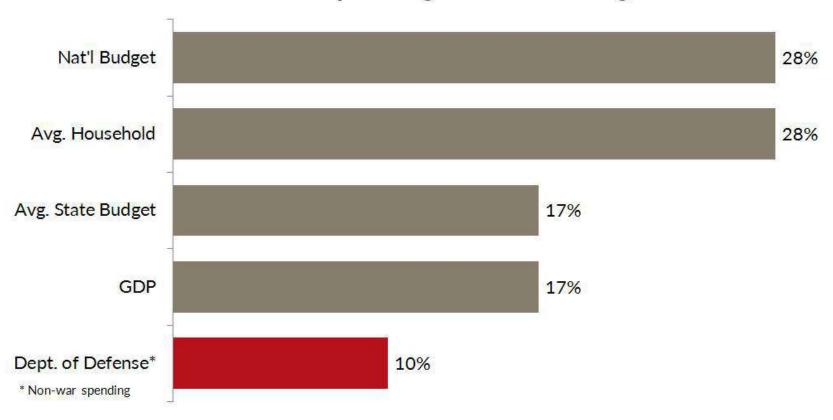
SOURCE: DEFENSE HEALTH AGENCY

GRAPHIC BY JOHN HARMAN/STAFF



#### **Health Care Costs in**

#### Perspective Health Care Spending As A Percentage Of The:



Source: Center for Medicare and Medicaid Services (CMS) National Health Care Expenditures for 2014



# What's New? FY2017 National Defense Authorization Act (NDAA)



# Military Retirement "Modernization" The New Retirement Program Reduced retirement benefit for years of service

- 20% decrease in retirement benefit
  - 40% High-3 base pay for 20yos instead of 50%
  - 60% at 30yos instead of 75%
  - Lifetime earnings substantially reduced

#### **Thrift Savings Program (TSP)**

- Adding bonuses and matching contribution
  - Match 1% automatic
  - Up to 4% more starting in 3yos thru 26yos
  - Bonus at 8-12yos; 3yr commitment
  - Match vested in 3yos



### The good news... We avoided the significant fee increases

- No TFL annual fee
- No 50-100% fee/co-pay increases to Prime/ Standard
- No pharmacy plan co-pay increases
- Currently serving and Retirees grandfathered against most hikes (more to follow)

#### What will change...

Tricare **Standard** for retirees will change:

- Eff. I Jan 2018, "Standard" becomes "Select"
- Eff. I Jan 2020, "Select" annual fee begins
  - \$150 ind; \$300 fam
  - Med retirees, currently serving, survivors of AD, no fee
  - COLA applies in future years
  - Deductibles still apply at current rates



#### What will change...

Tricare Standard for retirees will change:

- Eff. I Jan 2018, annual enrollment required!!
  - Open season Fall 2017
  - Limited grace period in 2018, one visit allowed
  - DOD plans to make enrollment automatic
- Eff. I Jan 2020, catastrophic cap increases to \$3500
  - Retirees only
  - COLA applies in future years
  - Currently serving remains \$1000



Other legal *authorizations*...stand by

- Hearings aids at DOD cost for retiree family members
- Retirees and family eligible for Fed Civ vision-dental plans
- Reserve component study/pilot to provide health insurance similar to Fed Civ plans

When and how these programs progress is TBD Follow MOAA's updates to stay informed



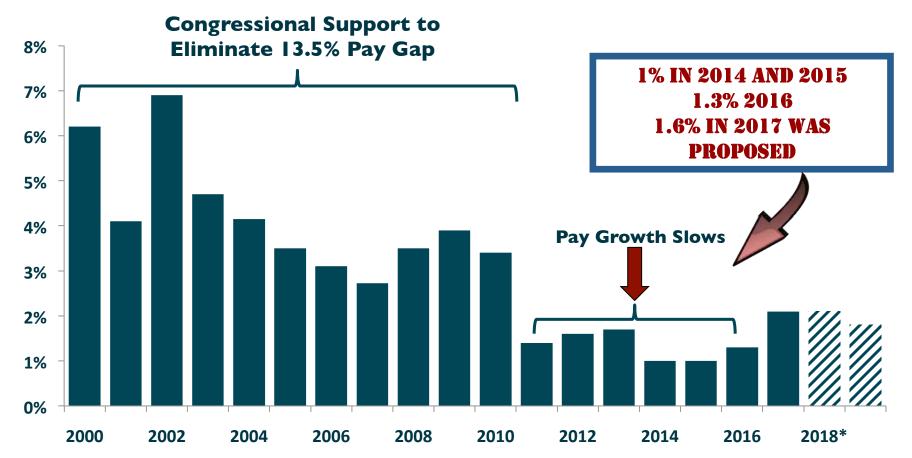
#### **Currently Serving Pay Raise**

#### Good news story...

- 2.1% vice the 1.6% wanted by the Administration
  - Matches the Employment Cost Index (ECI)
    - as intended in law
  - Temporarily slows down ECI gap
  - But the ECl pay gap is still a threat



## Military Pay Raises Since 2000



<sup>\$</sup> Pay gap per Employment Cost Index (ECI)

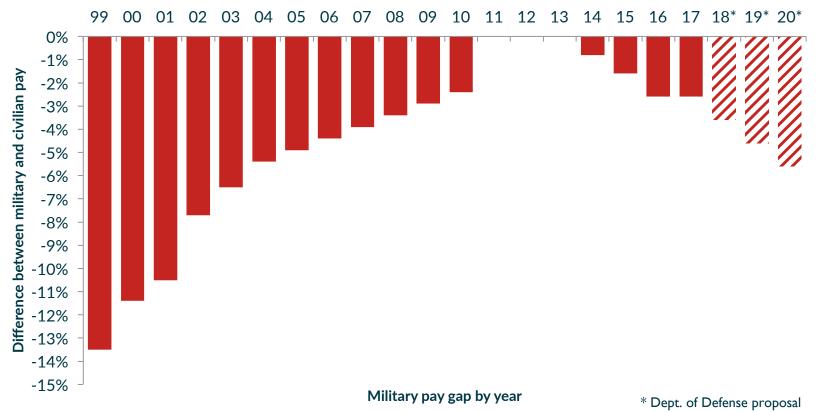
- FY2016 required a 2.3% raise to get back to ECI; got 1.3%
- FY2017 proposed 1.6%; got 2.1%--should have been 3.1% for ECI



#### Military Pay Falling Behind

#### **History Repeating**

After a decade of hard work by Congress to eliminate a 13.5% pay gap, military pay raises are once again falling behind those of the private sector.





#### **Housing Allowance**

## Phased-in reduction to Basic Allowance for Housing (BAH)

- 1% less BAH for next 5 years (2015-2019)
- Total 5% decrease in BAH
- This is still in effect

2005 to 2014: BAH covered full housing cost per housing index



## Servicemembers living together stand to lose tens of thousands of dollars annually under the Senate defense bill proposal





## On the Radar for the FY2018

## National Defense Authorization Act



#### President/DOD Budget Proposals

Here we go again...

- Tricare for Life (TFL) spared; no fee increases
- Tricare fee increases
  - Remember the grandfathered feature from 2017 NDAA?
  - This year; eliminate the grandfather provision
  - Tie future increases to the Healthcare Expense Index
    - HEI increase 2015\*\*—5.8%
    - 2015 retired pay and Social Security COLA—
       1.7%
    - Projected 2018: HEI 5.9%; COLA 1.4%

<sup>\*\*</sup>Latest year of Healthcare Expense Index (HEI)

#### Tricare Fees, Fees, Fees...

#### Tricare Standard (Select)

- New annual fee \$450 ind / \$900 fam (plus HEI)
  - No annual fee currently
- Deductible increases w/HEI

#### Tricare Prime

- Annual fee: \$565 now, \$700 2018, HEI after
- Co-pays increase by HEI

#### All catastrophic caps increase to \$3500

#### <u>Pharmacy</u>

Co-pays to increasing; next slide



## Pharmacy Increases Phased Increases Over 10 Years

	Current Rate	FY 2018 Rate	FY 2027 Rate	Annual % Increase		
MTF Pharmacy (90-days)	0	0	0	0%		
Retail (30-days)						
Generic	\$10	\$10	\$14	3.4%		
Brand	\$24	\$25	\$46	6.7%		
Non-Formulary	\$50	\$51	\$90	6%		
Mail Order (90-days)						
Generic	0	\$5	\$14	12% (from2018)		
Brand	\$20	\$22	\$46	8.7%		
Non-Formulary	\$49	\$51	\$90	6.3%		



#### **Currently Serving Pay**

- Proposes 2.1%
- Need 2.4% to match ECI annual increase
- Need 2.9% to catch-up to ECI standard

#### Proposed increase increases the pay gap

ID.		E (LAST					SOC. SE			PAY DA		YRS SVC				DSSN			COVERED	
DOE, JOHN E			_	123-45-6789 E5			881104		10 000508 AF			40	42							
ENTITLEMENTS				+	DEDUCTIONS				+	ALLOTMENTS				-	SUMMARY					
A.I		TYPE			AMOUN 1746.30		TYPE AMOUNT FEDERAL TAXES 146.87			-   15	TYPE AMOUNT DISCRETIONARY ALT 150.00					+AMT FWD .00				
В	BA	BAS 225.00		FIG	FICA-SOC SECURITY			108.27	7 D	ISCRET	TIONA	RY ALT	105.00	2,755.5						
D E	BA	н			784.24	ST	FICA-MEDICARE STATE TAXES			25.32 37.32	2	DISCRETIONARY ALT			55.00	1,468.9				
F			AF	AFRH			16.0	0					-TOT ALMT 310.00							
H I						MI	REPAY ADVANCE 158.08 MID MONTH-PAY 976.59			9						*NET AMT 976,59				
J															Į.		.01			
K L																*EOM PAY				
M N O																				
						+					+					976.59				
	TOTAL 2755.54				1468.95					310.00										
LEAV		34.5	30.0	USED	CR BAL 58.5	ETS BA 107.0	LV LOST	LV PA		LOSE F	ID AXES	WAGE 1		WAGE YTD 15,716,70	MS M	EX .	ADD'L T	.00	TAX YTD 1.321.8	
FICA	-	WAGE P		SOC WA					AGE YTD			STATE		VAGE PERIOD	WAGE		M/S		TAX YTD	
TAXE		1746.3		15,71			74.43		16.70	227.8	~		CA	1746.30	15,71			90	335.88	
PAY		W/DE		CHILI		535	RENT AMT 850,00	SHAR	E STAT	JFTR	DEPI 2	NS :	2D JFTR	BAS TYP REGULA		TY YTIRA 00.	D TPC	PA	CIDN	
REM	ARK	e-	VII	ENTITLE	24.5	322,36		TD DED	ucr	4,115.0	8							_		
				DEBT B			\$632,40	10000		AH BASI		WORD	0 2TD	0.1525						
BAN	NK S	SERVI	CE B/	NK OF		CA	3032.40		D	AH BASI	ab or	WIDE	r, zir	94030						
ACC	CT f	12345	6789																	



## VA Cuts to Fund Choice Program

- All proposed cuts TBD other than...
- Individual Employability (IU)
  - Proposal is to eliminate IU at age 62
  - Age 62, earliest year to collect Social Security
- Unacceptable on numerous levels
  - Besides providing supplement for unemployable
  - Provides supplement for lack of retirement assets due to lack of employment



## Tweak the Blended Retirement System

- Program hasn't started, yet second round of modifications already
- Extend match beyond age 26; enlisted only
- Imagine a company employer offering a 401k
   match to some and not others

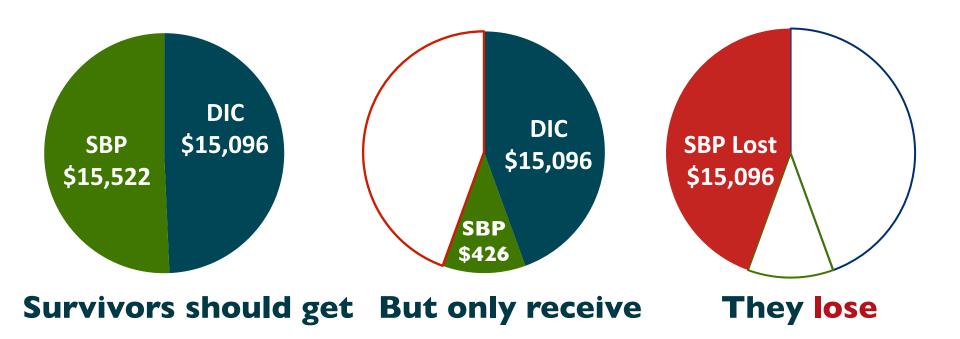




#### Other Benefit Updates



#### DIC Should be <u>Added</u> to SBP; Not Subtracted from It





### **SBP-DIC Offset**

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



## SBP-DIC-SSIA How it All Works

- Social Security Offset was eliminated...
- The SBP-DIC Offset still applies
- Offset is dollar-for-dollar:

### **Special Survivor Indemnity Allowance (SSIA)**

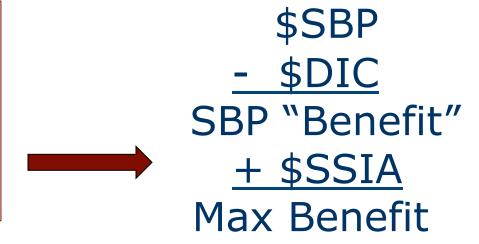
FY2014 - \$100 month

FY2015 - \$200

FY2016 - \$275

FY2017 thru May 2018 - \$310

Ends in June 2018



SSIA extended in 2017 NDAA thru May 2018!

## SBP Updates Special Needs Trust and Former Spouse Issues

### **Special Needs Trust**

- Law now allows for SBP beneficiary payments to be paid to a Special Needs Trust for incapacitated children
  - Previously, payments could only be made to a person

### Former Spouse

- Law now allows a SBP beneficiary change from Former
   Spouse to Spouse if the Former Spouse beneficiary dies
  - Previously, a Former Spouse beneficiary who died cancelled the SBP for the military member



### 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 <u>or</u>
<20 years of service
No Service combat rating

#### With CRDP

Retired pay



Full Retired pay

+

Full VA comp

Total compensation

**CRDP** 

50%(+) VA rating <u>and</u> 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**

Combat Non-

**Combat** 

**Related** Related

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

In the works: H.R. 333, H.R. 303, S. 66



# Cost of Living Adjustment (COLA)



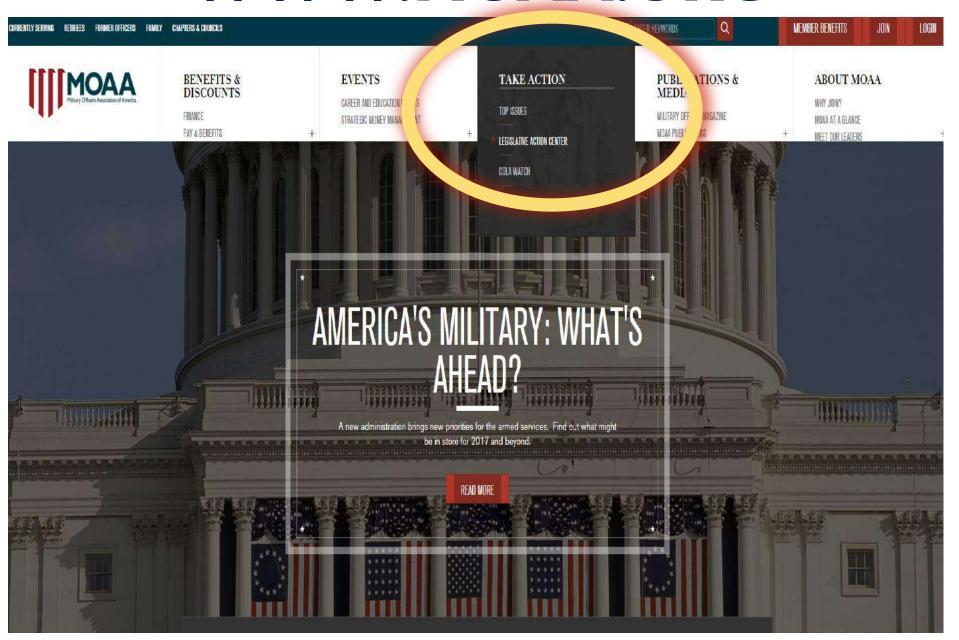
### Where's the COLA?

Fiscal Year	Increase
2014	1.5%
2015	1.7%
2016	0%
2017	0.3%
2018	%



# The Dirt Simple Way to Contact Your Politicians







BENEFITS & DISCOUNTS

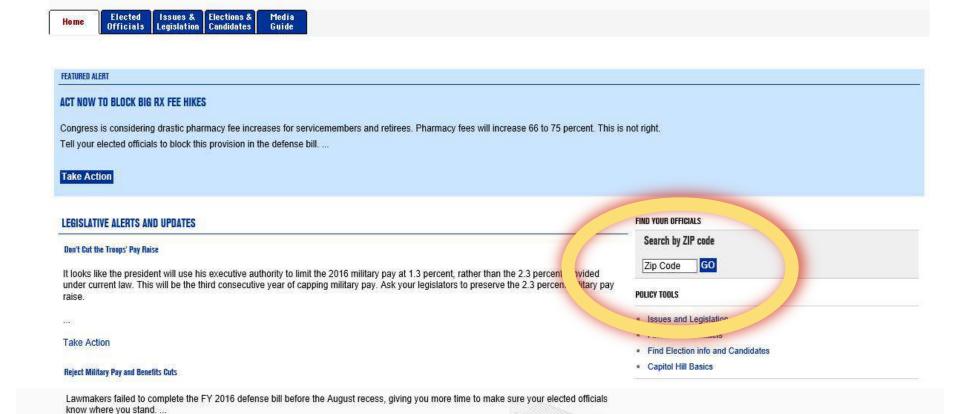
**EVENTS** 

TAKE ACTION

**PUBLICATIONS** 

ABOUT MOAA

### **LEGISLATIVE ACTION CENTER**



### **LEGISLATIVE ACTION CENTER**





President Trump • e-mail

· info



Sen. Warner

• e-mail • info • bills



Sen. Kaine

• e-mail

• <u>info</u> • bills

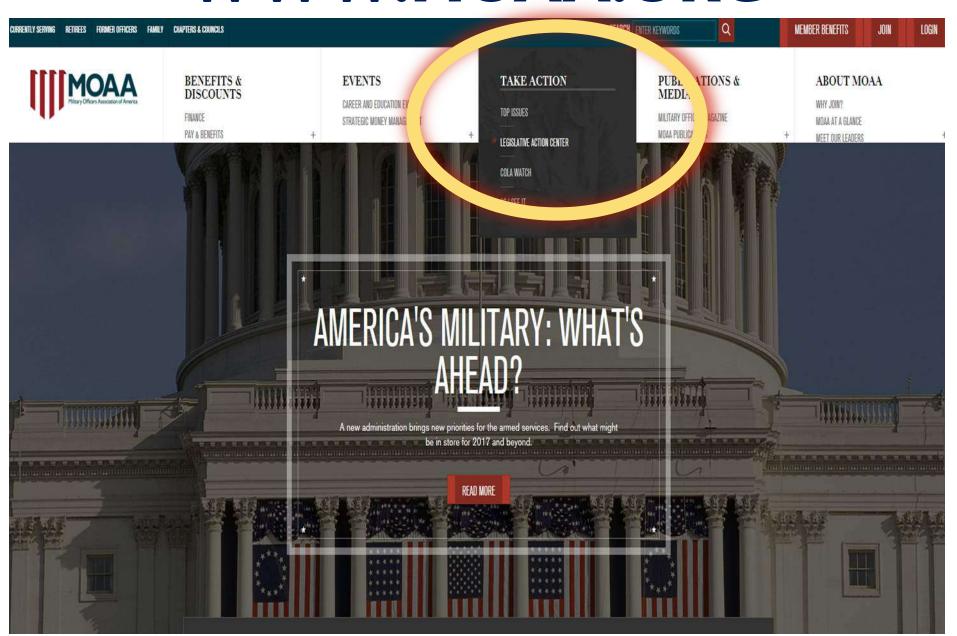


Agencie

Rep. Beyer

• e-mail

• <u>info</u> • bills





BENEFITS & DISCOUNTS

**EVENTS** 

TAKE ACTION

**PUBLICATIONS** 

ABOUT MOAA

### **LEGISLATIVE ACTION CENTER**





BENEFITS & DISCOUNTS

**EVENTS** 

TAKE ACTION

**PUBLICATIONS** 

ABOUT MOAA

### **LEGISLATIVE ACTION CENTER**

Home Elected Issues & Elections & Media Candidates Guide			
egislative Alerts and Updates	Current Legislation	Key Votes     Capitol H	lill Basics
Current Legislation			
Key Bills in Congress			
Survivor Issues			
Bill Name		Number of Sponsors	Position We SUPPORT
5. 979 - Eliminate the SBP-DIC Offset		11 (5 R, 6 D)	this legislation
I.R. 1594 - Military Surviving Spouses Equity Act		157 (83 R, 74 D)	We <b>SUPPORT</b> this legislation
Retirement Issues			
Bill Name		Number of Sponsors	Position We SUPPORT
3. 271 - Retired Pay Restoration Act		22 (3 R, 1 I, 18 D)	this legislation
H.R. 333 - Disabled Veterans Tax Termination Act		70 (20 R, 50 D)	We SUPPORT this legislation
H.R. 303 - Retired Pay Restoration Act		89 (50 R, 39 D)	We <b>SUPPORT</b> this legislation
Health Care Issues			
Bill Name		Number of Sponsors	Position
5. 1641 - Jason Simcakoski Memorial Opioid Safety Act		16 (3 R, 1 I, 12 D)	We SUPPORT this legislation
* · · · · · · · · · · · · · · · · · · ·			We SUPPORT

## Military Officers Association of America

www.moaa.org

Please contact your elected representatives
Strength comes in numbers
Your single voice does matter

Come see us at the MOAA table

