

**STATEMENT OF
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THE AMERICAN LEGION
TO THE
SUBCOMMITTEE ON MILITARY PERSONNEL
COMMITTEE ON ARMED SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES
ON
TRICARE BENEFITS FOR MEDICARE-ELIGIBLE MILITARY RETIREES**

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Thank you for the opportunity to present testimony at this extremely important congressional hearing.

Mr. Chairman, congratulations on your selection to head this Subcommittee. Your role as gatekeeper of the quality-of-life issues of military personnel is critical to the very future of the armed forces. Today's modern military appears on the surface to be much different from General Washington's troops at Valley Forge, General Grant's troops at Appomattox, General Eisenhower's forces at Normandy, General Westmoreland's Vietnam veterans, or even General Powell's Persian Gulf veterans.

But deep down, they are all the same – dedicated patriots willing to pay the ultimate sacrifice for liberty and freedom. Their concerns are basically not focused on themselves, but rather on others. General MacArthur best summed it up in his famous **Duty, Honor, Country** address to the cadets at West Point.

The Department of Defense's decision to implement TRICARE was a shock to the entire military retirement community. There was a universal feeling of betrayal throughout the ranks. The very leaders that would order service members into battle, created a new health care system that was completely inconsistent with the very recruitment and reenlistment promises that were echoed around the world. The greatest tragedy was that those who were already retired were not "grandfathered" their coverage.

There is an old adage that *an individual enlists, but it's a family that reenlists*. In today's military, this is especially true. The All-Volunteer Force is now viewed by many as a vocational choice rather than a patriotic calling. Many view the armed forces as the last bastion of corporate loyalty. In a competitive business world of chasing pay checks and personal perks, honorable military service is a strange, bizarre concept.

The American Legion was among the long list of supporters for keeping the promise of health care for life for military retirees and their dependents. As a

nation, America should be proud of that decision. But now, Congress must make this renewed promise a reality. The American Legion eager to assist with such an objective.

Last year, The American Legion testified before this Subcommittee to discuss workable options for consideration. Today, The American Legion returns with suggestions for the Subcommittee's consideration. As Congress begins to consider yet another round of possible military base closures, the demands on the current military health care infrastructure will increase. The military medical leadership has expressed its growing concern with the adverse economic impact of TRICARE on the military medical facilities and health care professional staffing. Adding Medicare-eligible military retirees and dependents to that patient base will be a tremendous financial and health care delivery challenge.

TRICARE in its current configuration turns to the private health care industry for solutions. Under this paradigm, it mimics the current health care options of fee-for-service, preferred providers, or health maintenance organizations. Each option has its strengths, weaknesses, and additional costs. But the primary motive of each TRICARE contract is to provide quality health care at a profit. Each for-profit company has investors and stockholders, in addition, to their patients and contractor to satisfy. In the highly competitive health care industry the medical cost index usually exceeds the consumer price index and the normal rate of inflation. This puts enormous pressures on all parties concerned when renegotiating existing contracts.

The military health care system's primary motive is to provide quality health care to its active duty forces. This health care system operates on a limited discretionary budget. Its focus is to keep the fighting machine physically and mentally ready to win wars. Should the "balloon go up," this health care system moves to the battlefield. Where are their reinforcements?

According to the current mission statements, the Department of Veterans Affairs (VA) is their back-up system. VA health care network shares a common primary motive, to provide quality health care to America's veterans, especially service-connected disabled veterans (many of those are military retirees). Like DoD, VA operates on a limited discretionary medical care budget. In order to do more, VA must have additional funding to cover the cost of care.

The American Legion sees an opportunity for greater coordination between DoD, VA and the Department of Health and Human Services (HHS). The American Legion believes there are windows of opportunity for maximum utilization of resources (financial, personnel, infrastructure and services) in the delivery of quality health care to all veterans and their eligible family members.

Currently, TRICARE has 12 regions and VA has 22 regions (Veterans Integrated Service Network – VISNs). TRICARE has limited portability and VA enjoys

complete portability. TRICARE has a network of private health care providers. VA, with a similar health care network of private providers, is affiliated with 104 medical training institutions, and has an established Long-Term Care network of Federal, state and private health care facilities.

Within HHS is the Health Care Financial Administration (HCFA), the Federal health care insurer commonly known as Medicare. For years, no federal health care provider could bill HCFA for treatment of Medicare-eligible patients receiving medical care in their facilities. Indian Health Services was the first group to participate in a very successful pilot program that is now permanent. DoD is currently involved in another demonstration program that does not seem to be as successful for several reasons: its negotiated reimbursement rate and its *maintenance of effort* requirement.

The normal reimbursement rate for Medicare is currently under tremendous criticism by private health care providers for being too low. One can only imagine what a negotiated reimbursement rate must look like. The cost of health care continues to rise in both the private and public sectors. It appears that the reimbursement rate in this demonstration program may be too low.

Quite frankly, the concept of *maintenance of effort* is even more confusing. The criteria for medical care in DoD or VA has absolutely nothing to do with Medicare-eligibility, but rather honorable military service. Access to both systems is an earned benefit, unlike Medicare-eligibility. Nowhere can we find language that uses Medicare-eligibility as a prerequisite for health care in either system. This is purely an abstract concept being applied to DoD.

Mr. Chairman, some are quick to criticize the VA health care network, but the vast majority of critics are not actual users of the system. In many areas, especially specialized services, VA health care delivery far exceeds DoD. Many military retirees are eligible for health care in VA because of service-connected disabilities. Others have enrolled in a VA health care network because of base-closures in their community. For whatever reasons, military veterans are entitled to use both systems and The American Legion will adamantly oppose any legislation that would mandate a veteran having to choose one over the other, especially if the military retiree is a service-connected disabled veteran.

The American Legion believes VA is a world-class health care delivery network worthy of treating service-connected disabled veterans. The only limitations facing VA's health care network are funding, current patient population and staffing. Given adequate funding through the Federal appropriations, third-party reimbursements, copayments, deductibles, and premiums, VA could effectively meet the health care needs of the current and future veterans' populations and their eligible dependents.

The American Legion believes it is time for VA, DoD, and HHS to develop a health care plan to meet the needs of active duty forces, reserve component forces, military retirees, service-connected disabled veterans, nonservice-connected disabled veterans, and eligible dependents. The American Legion would emphasize the following core tenets:

- Quality health care must be granted for all active duty military personnel and their eligible dependents.
- Quality health care must be granted for all service-connected disabled veterans.
- Quality health care must be granted for all military retirees and their dependents.
- DoD's health care system's primary mission is to provide quality health care for all active-duty personnel.
- VA's health care network's primary mission is to provide quality health care for all service-connected disabled veterans.
- HHS' primary mission is to provide timely reimbursement for quality health care provided to Medicare-eligible patients.
- All veterans must have access to VA's health care network and bring their third-party health care coverage with them.

There should be no pride of authorship, just pride of accomplishment. The key factors are cooperation and collaboration between federal agencies.

Mr. Chairman, that concludes my testimony. The American Legion welcomes the opportunity to work with you and your staff on this critical national security issue.