Veterans/Retiree Council Recommendation to the AFA Board of Directors

Under the Administration's FY2013 Proposed budget, DoD would shift about $13 billion in health care costs from the Pentagon to military retirees over the next five years. The goal is to reduce defense costs, while bringing military beneficiary fees and cost-shares more in-line with comparable programs in the civilian sector.

The changes would phase-in significant fee hikes for nearly every segment of the military population. The proposed increases affect retirees of all ages, drilling Guard and Reserve members and currently serving family members as follows:

1. TRICARE Prime annual enrollment fees for retired families (currently $520), would be "tiered," by incorporating a "means testing" scheme based on retired pay amount. Fees will rise as high as $820 starting October 1, 2012, and to as much as $2,048 within five years.

2. TRICARE Standard beneficiaries who currently pay no enrollment fee, but who pay a deductible and cost-share, would start paying an $140 annual family enrollment fee. Also they would have an increased deductible starting Oct 1, with the enrollment fee and deductible rising to $250 and $580, respectively, within five years. These would be flat fees for all Standard beneficiaries.

3. Retirees and family members age 65 and older would start paying an annual TRICARE For Life (TFL) enrollment fee of up to $135 per person starting Oct 1. This fee also would be "means tested" based on retired pay amount, and would rise to as much as $475 per year, within 5 years.

4. Pharmacy co-pays for retail and mail-order brand-name medications would more than double (from $12 to $26) starting Oct 1. Co-pays for non-formulary medications, currently $25, would also more than double, to $51. Availability would be mostly restricted to the mail-order venue, with only limited retail access. The brand-name and non-formulary copays would rise to $34 and $66, respectively, within five years.

Under the proposal, certain medical retirees and survivors of members who died on active duty would be exempt from these increases.

Recommended Position for the AFA Board

Given the financial crisis in which the Nation finds itself, AFA remains open to discussing proportionate changes to healthcare benefits, as we did during discussions last year on increasing TRICARE Prime enrollment fees. However, we are strongly opposed to what appears to be an uncoordinated attempt to cut the cost of the Nation's defense on the backs of those who have already sacrificed so much. These proposals would increase health care fees by about $1,000 to $2,000 per year for retired military families, and dramatically raise retail pharmacy co-pays for all retirees and currently serving family members.

We are similarly opposed to attempts to draw a comparison between a career in military service and careers in the private sector as justification for comparability in healthcare beneficiary costs. Simply stated, there is no comparison between "conditions of service" endured by career military people and "conditions of employment" experienced in the private sector. Retired military members already paid for their healthcare benefits by serving a full career of arduous service, sacrifice, frequent family separations and often hazardous service conditions.

We also remain very concerned that DoD seems most inclined to simply pass any and all cost increases on to beneficiaries first, before looking internally for efficiencies. This propensity to simply pass on cost increases will be codified in law should this proposal be enacted. According to the proposal, after FY16, healthcare fee increases will be indexed to "medical inflation". Medical inflation has averaged 6.2% annually over the past 20 years, well above increases to retired pay over the same period. It is also significant to note that indexing future increases in healthcare fees to medical inflation is an abrogation of the deal that was struck last year when the military associations acquiesced to an increase in TRICARE Prime enrollment fees if limited to increases in retired pay.

Finally, we are strongly opposed to "tiering" or "means testing" military healthcare benefits. Doing so will make military healthcare benefits the only federal employee retirement benefit to be so structured. But most importantly, we object to the inference that these benefits are equivalent to welfare benefits to be doled out according to a bureaucratic determination of need. On the contrary, these benefits are earned by military people over the course of a full career of service and sacrifice. They should be no more "means tested" than military active duty or retired pay.

The Council recommends AFA leadership go to its members to urge them to contact their Senators and Congress members and register their strongest opposition to these healthcare cost increases, as they amount to nothing more than a disproportionate tax increase targeted at a segment of our population that has already given so much to this Nation.