http://www.veteransresources.org/wp-content/uploads/2013/11/Bulletin-131201-PDF-Edition.pdf

Source: **29 November 2013** monthly Retiree Assistance Office (RAO) Bulletin:

DoD 2014 Budget Update 05 ► *CBO Provides Options for Congress*

[Source: MOAA Leg Up 15 Nov 2013 ++]

As Congress negotiates a FY 2014 budget in hopes of avoiding another government shutdown, the Congressional Budget Office (CBO) released a new report, "**Options for Reducing the Deficit, 2014-2023**" dated NOV 2013 that includes an array of spending cuts and revenue increasing options for FY 2014 and the beyond.

Some of the options outlined in CBO's report would affect the American population at large, including:

- Raise the age of Medicare eligibility to 67
- Increase Medicare Part B premiums for all beneficiaries
- Raise the full retirement age and the earliest eligible age for Social Security
- Reduce Social Security benefits for new beneficiaries by 15 percent
- Change the COLA formula for adjusting Social Security benefits

Others are aimed more specifically at military and veterans' programs. Here are some of the alternatives that the CBO published in its budget-option package:

- Significantly reduce all services manpower
- Cap annual military pay raises at 0.5 percent below those of the average American **
- Raise out-of-pocket costs for TRICARE-for-Life (TFL) by up to $6,000 a year per married couple **
- Dramatically raise TRICARE fees for beneficiaries under age 65 **
- Bar working-age retirees and families from using TRICARE Prime
- Eliminate concurrent receipt of VA disability compensation and military retired pay **
- Change the COLA formula for military and federal civilian retired pay and VA compensation **
- Replace military personnel with civilians in certain positions

**** Refer to *DoD Benefit Cuts Update 24* for more details**

Many of these proposals have been around for years, and have been rejected by Congress before. Others are new – most notably the proposal to end concurrent receipt of VA disability compensation and military retired pay for disabled military retirees. But in this political and budget environment, legislators pressed to come up with a budget package quickly may be disposed to simply grab some off-the-shelf options and worry about any potential consequences later. That means we could see some of these proposals surface in the next few months.

The proposals to cut COLAs and raise TRICARE fees are ones to keep a particularly close eye on. To review the CBO report go to: www.cbo.gov/sites/default/files/cbofiles/attachments/44715-OptionsForReducingDeficit.pdf.

DoD Benefit Cuts Update 23 ► *Who Moved the Goal Post?*

[Source: Military Officers Assn of America (MOAA) Legislative Update, 15 Nov 2013 ++]

Secretary of Defense Chuck Hagel recently outlined six budget priorities that will shape the Pentagon's FY 2015 budget proposal, which includes protecting investments while seeking "significant savings" in the area of personnel and compensation. The six priorities are:

- Focus on eliminating middle management/"back-office" staffs.
- Reevaluate how the military should organize, train, and equip.
- Prepare for prolonged readiness challenges.
- Protect investments in acquisition and procurement.
- Reconsider the appropriate force mix across the services.
- Slow the growth of pay and benefits.

The six priorities are a result of the secretary's earlier Strategic Choices and Management Review (CMR) and reflect the department's continuing struggle to deal with the "too fast, too much, too abrupt, and too irresponsible" sequestration cuts. One of Hagel's priorities is to protect investments in acquisition and procurement programs. This is the same area in which the Government Accountability Office (GAO) has found both cost and schedule growth remains significant. In their October report on defense acquisition, the GAO cited "39 percent of fiscal 2012 programs have had unit cost growth of 25 percent or more." However, this costly growth area seems to be exempt from scrutiny by DoD.

What is most troubling is Hagel's sixth priority – slowing the growth of pay and benefits. In his statement, he urges Congress to permit more reforms to personnel accounts, stating, "Without serious attempts to achieve significant savings in this area – which consumes ***roughly half*** of the DoD budget and is increasing – we risk becoming an unbalanced force, one that is well-compensated but poorly trained and equipped, with limited readiness and capability." What concerns MOAA is he states personnel accounts consume roughly half of the DoD budget. Who moved the goalpost? In April of this year, DoD presented their FY 2014 budget submission, which stated, "The cost of military pay and allowances, combined with military health care, comprises about ***one-third*** of the Department's budget." Now, seven months later, what appears to be part of a broader Pentagon public relations campaign to garner support for cutting currently serving and retiree pay and benefits is to state personnel costs consume roughly half of the budget.

What changed? What changed is the Pentagon's definition of personnel accounts. The new interpretation goes well beyond the traditional military personnel and defense health care accounts, which have remained relatively unchanged as a third of the DoD budget for the past 30 years. Their definition now includes all pay and benefits – for current military and civilian personnel, retirees, and direct and in-kind services (such as DoD schools, commissaries, and more). MOAA has shown members of Congress the military personnel accounts (to include health care) have remained steady for years, but now the Pentagon has thrown in the kitchen sink to make a more alarming and inflated statement. The Pentagon uses terms like "slow the growth" and "bend the curve" to mask the very real impact those processes will have on people's lives. They're hiding behind budget jargon and vague words in an effort to avoid blame for what they're actually doing.

They hope this new math and ambiguous wording will provide them with the ammunition needed to cap pay and shift billions in health care costs onto beneficiaries, as if those who wear or have worn the uniform are a liability rather than our most precious national defense asset. Sustainability of the all-volunteer force is key to securing our national defense. You sustain the force with pay that is comparable with private-sector pay and a retirement package that ensures a skilled career force. The bottom line: It's no surprise DoD resorts to moving the goalposts and changing calculation methods in clinging to their case. But no matter how Pentagon leaders try to skew the data, the plain truth is military personnel costs are not breaking DoD's bank.

DoD Benefit Cuts Update 24 ► *CBO Deficit Reduction Options Affecting Veterans*

[Source: The News Tribune | Tom Philpott | 16 Nov 2013 ++]

Military members, retirees and veterans have a few more reasons to be wary of politicians who say their priority is to cut federal spending. On 13 November the Congressional Budget Office released a report of more than 100 options for reducing budget deficits in the years 2014 thru 2023. To read the report go to www.cbo.gov/publication/44715 and then proceed to:

www.cbo.gov/sites/default/files/cbofiles/attachments/44715-OptionsForReducingDeficit.pdf.

More than a few of the CBO options are fresh ideas to roll back compensation for categories of veterans or to raise Tricare fees for military retirees, on suggestions that the government is being too generous. To be fair, CBO is not singling out veterans. There are options in the report to make nervous many segments of society dependent on federal payments, from Social Security recipients to drug manufacturers.

But for select veterans' programs, CBO makes some hard-edged points that lawmakers bent on cutting spending might find compelling, if not persuasive, to help address the nation's debt crisis. Here are some of those ideas:

- **Cap pay raises:** From 2000 through 2010, Congress approved basic pay raises that averaged a half-percentage point above private sector wage growth. The military could save $25 billion from 2015 to 2023 by reversing course, capping raises yearly at 0.5% below civilian wage growth. CBO predicts only a "minor" effect on force retention.

  PRO: Evidence in favor of this move are data showing cash compensation for enlisted members now exceeds wages of 90% of civilian counterparts, well above the Defense Department's goal of keeping service pay ahead of 70% of civilians of similar age and educational background. CBO said officer compensation exceeds 86% of private sector peers.

  CON: The case against capping raises is that recruiting and retention goals could be compromised, CBO says, and smaller raises also dampen other elements of military compensation, including retirement annuities.

- **Raise TRICARE fees *Option 1*:** Target military retirees cost share for health care. Have Tricare-for-Life users – retirees, spouses and survivors age 65 and older – pay the first $550 of costs not covered by Medicare and then 50% of the next $4,950.

  PRO: CBO says this would slow TRICARE costs by $31 billion from 2015 to 2023 but also save Medicare dollars as older beneficiaries seek fewer health services.

  CON: The drawback is that some TLF (TRICARE For Life) users might not seek needed preventive care or manage their chronic conditions as closely as they do now.

- **Raise TRICARE fees *Option 2*:** Targets "working age" retirees and families enrolled in **Tricare Prime** by raising fees, deductibles and co-pays in a complex combination too detailed to describe here. The Prime changes for retirees could save from $2 billion to $11 billion by 2023, depending on final details.

- **Concurrent Receipt:** Until 2003, military retirees who drew tax-free compensation from the Department of Veterans Affairs for service-connected disabilities saw retired pay reduced by an equal amount. Congress phased out this ban on "concurrent receipt" over several years for retirees with disability ratings of 50% or higher. As a result, last year 420,000 retirees received $7 billion in concurrent receipt payments. Lifting this ban, CBO suggests, encouraged many more retirees to seek a VA disability rating. In 2005, only 33% who served 20 or more years received VA disability pay. By 2012, that proportion of longevity retirees drawing disability pay had climbed to 45%. CBO says $108 billion could be saved from 2015 to 2023 if the ban on concurrent receipt were restored for current and future retirees.

PRO: Retirees would still receive higher after-tax payments than would retirees who are not disabled.

CON: The argument against is that retired pay and VA disability pay compensate for "different characteristics of military service: rewarding longevity in the former case and remunerating for pain and suffering in the latter. …Moreover, some retirees would find the loss of income financially difficult." That the CBO floated such an option could dampen hope among military retirees with disabilities rated 40% and less that Congress someday will lift the Concurrent Receipt ban for them too.

- **Reduce eligibility for VA compensation:** The law requires the VA to define "service-connected" ailments broadly so if symptoms occur in service the condition usually is compensable. Last year, CBO says, the VA paid 520,000 veterans a total of $2.9 billion "for seven medical conditions that … are generally neither caused nor aggravated by military service." The VA could save $20 billion from 2015 to 2023 if it stopped compensating veterans for chronic obstructive pulmonary disease, arteriosclerotic heart disease, hemorrhoids, uterine fibroids, multiple sclerosis, Crohn's disease and osteoarthritis. Indeed, if Congress eliminated "compensation for all disabilities unrelated to military duties," CBO says, the savings would be far greater, though, admittedly, this "would be more difficult to administer."

  PRO: The argument in support is that VA disability pay should be more comparable with civilian systems, which "do not typically compensate individuals for all medical problems" that develop during employment.

  CON: The opposing argument is that military service "imposes extraordinary risks" and hardships, which justify current pays and benefits, including compensation for those who become disabled in any way while in service.

- **Tighten VA "IU" benefits:** VA will supplement regular disability compensation for veterans not rated 100% disabled if they are deemed "unable to engage in substantial work," CBO explains. The "Individual Unemployability" benefit is paid today to 300,000 veterans, boosting monthly incomes by an average of $1,800. One-third of IU veterans, however, are over 65, the age by which many American workers are retired and drawing full Social Security benefits. CBO said VA could save $15 billion by 2023 if it stopped IU to older veterans.

These are not recommendations, CBO says – only options intended to inform lawmakers.

DoD Benefit Cuts Update 25 ► *All CONUS Commissary Closing Plan Requested*

[Source: Stars & Stripes | Tom Philpott | 21 Nov 2013 +]

Tasked by Defense Secretary Chuck Hagel to find ways to preserve force readiness amid sharply falling budgets, his Comptroller and the Joint Staff have asked the Defense Commissary Agency (DeCA) for a plan to close all stateside base grocery stores, say military resale community sources. Time will tell if this is just the loudest warning shot yet fired by a department desperate for budget relief, or if stateside commissaries, still enormously popular with military families and retirees, are viewed by current military leaders as a costly relic burdening a financially stressed force. Under Secretary of Defense Robert Hale, the department's top financial adviser, and Air Force Lt. Gen. Mark F. Ramsay, Director of Force Structure, Resources and Assessment for the Joint Staff, reportedly requested the plan in a meeting with military personnel policy and commissary officials.

It was to be briefed soon to Deputy Defense Secretary Ashton Carter and Adm. James Winnefeld, Vice Chairman of the Joint Chiefs of Staff.

Another high hurdle if the plan is to be included in the Obama administration's fiscal 2015 defense budget request would be approval from the Office of Management and Budget and the White House. The military resale industry already has reminded Hagel in a letter that on 7 August at Camp Pendleton, CA, President Obama told Marines that closing commissaries is "not how a great nation should be treating its military and military families." Also, First Lady Michelle Obama and Jill Biden, the vice president's wife, have for several years led a nationwide initiative in support of military families, called Joining Forces. It is hard to imagine them staying silent as action is taken to end prized discounted grocery shopping on base. Commissaries rely on taxpayer subsidies of $1.4 billion a year to operate 247 stores worldwide. They now face their gravest threat in decades because of the budget sequestration tool formula in the 2011 Budget Control Act, and Congress' failure to replace it with a balanced debt-reduction deal.

Military leaders have testified often this year that they can't roll back weapon programs or shrink the force fast enough to absorb – in a balanced way – the $50 billion a year in cuts demanded from sequestration. So operations, maintenance and modernization dollars are decimated to achieve near-term savings. Training and readiness are plummeting, say the service chiefs. In that environment, commissaries have become "ground zero" for deeper cuts, said an industry official. Those dollars are coveted to support other needs such as flying hours, ship streaming days and troop unit rotations to combat training centers. Closing almost 180 stateside stores could free up $800 million to $900 million annually, by some estimates. Asked to confirm if Hale requested a plan to close stateside commissaries, Navy Cdr. Bill Urban, a DoD press officer, said Hagel "has made it clear on numerous occasions that all cost-cutting efforts need to be on the table for [DOD] to meet the spending caps associated with the 2011 Budget Control Act. At this time, no final decisions have been made on the … fiscal 2015 budget submission. Therefore, it would be inappropriate to discuss any specific budget decisions."

At a 20 November hearing of House armed services subcommittee on military personnel, its chairman, Rep. Joe Wilson (R-SC) asked DeCA Director Joseph H. Jeu about a directive the agency got from defense leaders in February, ordering an independent study to cut commissary costs up to 28%. Wilson, who promises to defend the benefit, asked when Congress could see the study. "Due to sequestration," Jeu said, "the department is reviewing all of its programs and nothing, including commissaries, is off the table."

Jeu declined to discuss the directive further. But another witness did, Thomas T. Gordy, President of the Armed Forces Marketing Council, which represents brokers doing business with military stores. Gordy testified his group was encouraged over the summer to hear that the department was considering cuts for DeCA lower than 28%.

"However," he said, "in recent weeks we understand the Joint Staff has asked DeCA to look at cutting its budget 33 to 66%." Gordy revealed three ideas DeCA weighed in recent months that would lower patron savings but preserve stateside stores.

- One would double the patron surcharge, from 5% to 10% of the cost of goods sold.
- A second would increase commissary prices worldwide by 2% to 3%, enough to cover agency costs for shipping goods to overseas stores.
- A third is an "enhanced commissary" model that would allow stores to sell wine, beer and health and beauty products at a profit, to offset the cost of store operations. Critics worry this one could endanger base exchanges, which operate for profit. Some exchange profits fund morale, welfare and recreational facilities on bases.

With support from industry, commissaries have been shaped into a model of efficiency for the entire department, argued Patrick Nixon, President of the American Logistics Association, which represents manufacturers and vendors of products sold in base stores. Though commissaries have shared in the pain of sequestration, including furloughs and hiring freezes, Nixon said, "that may not be enough to feed the budget beast. Some defense planners want far more. They seek to reduce the commissary budget far beyond that being asked for any other defense program."

Commissaries save patrons more than 30% off supermarket prices, Jeu testified, with average annual savings for a family of four of almost $4,500. Rep. Joe Heck, R-Nev., asked Jeu to react to the cost-saving ideas Gordy described and criticized. Each would lower patron savings, Jeu said. But Heck noted that doubling the surcharge, for example, would lower savings for a family of four by only $225 a year, to $4,225, to help preserve the benefit. Given fiscal challenges, hard decisions are needed, Heck said. "We have got to look at the cost-benefit of each one of these, and I would encourage you to take that kind of perspective," he told Jeu.

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DoD Benefit Cuts Update 26 ► *Stars & Stripes/Pentagon Channel*

[Source: Stars & Stripes | Editor | 25 Nov 2013 +]

The Pentagon, under intense pressure to maintain American military might in an era of sequestration and falling budgets, is considering the elimination of *Stars and Stripes* newspaper and the Pentagon Channel as well as programming cuts to American Forces Network. The Cost Assessment and Program Evaluation office, which answers to the secretary of Defense, has been tasked with reviewing spending on all such media products. The Pentagon typically refuses comment on budget studies while in process, and when asked for information on the scope and intent of the review, officials would only say all of DOD is currently the subject of a top-to-bottom spending review ordered by Defense Secretary Chuck Hagel. "In this budget environment, we're looking at everything," said Navy Cdr. Bill Urban, spokesman for the Cost Assessment Office. Bryan Whitman, Principal Deputy Assistant Secretary of Defense for Public Affairs, referred queries on the matter back to *Stars and Stripes* managers and Defense Media Activity.