

Federal panel calls for slashing tens of billions from veteran benefits

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A federal panel tasked with slashing veterans' benefits released its final report last Thursday, calling for the shifting of new veterans onto private healthcare schemes and 401(k) retirement plans, as part of a plan to cut tens of billions of dollars in payroll expenses over the next two decades.

The Military Compensation and Retirement Modernization Commission was established by the 2013 National Defense Authorization Act (NDAA), passed in January of that year, which set aside \$633 billion for Washington's worldwide military operations. It was enacted in the midst of wrangling between Obama and congressional Republicans over austerity measures, which led to the so-called "sequester" cuts automatically kicking in in March 2013, after Congress failed to reach agreement on the size and scope of the cuts.

The commission estimates that the changes will save the military \$26.5 billion from 2016 to 2020, and a further \$6.7 billion annually until 2033. The increasing expenses per-soldier on wages, healthcare and retirement funds, which have nearly doubled since 1998, are a major source of concern for the military. The Armed Forces spent \$417 billion on uniformed compensation last year, according to an interim report by the Commission last summer, around three-quarters of which went towards retirement funding, healthcare, and other payments such as education subsidies.

The Commission consists of career politicians and retired generals with histories in and around the financial industry. Alphonso Maldon, Jr., President Obama's appointee and chairman of the Commission, is a retired colonel who had worked in the financial sector since his military retirement. He is also part owner of the Washington Nationals baseball team. Another member, former senator Larry Pressler, was a

member of Obama's Simpson-Bowles deficit reduction commission in 2010.

The Commission, acutely aware of the unpopularity of its proposed measures, was at pains to paint the report as reflecting the mood among service members and veterans, peppering the 302-page document with anonymous testimonials from respondents to a survey conducted by the Commission.

The Commission argues for a massive overhaul of the pension system. Currently, military retirees begin receiving a defined-benefit pension, measured at 50 percent of their base pay, immediately upon their retirement if they have served for 20 years. The report calls for a shift to a hybrid plan incorporating elements of a defined contribution pension. The payout to twenty-year veterans would be slashed to 40 percent, and would be restricted to a set retirement age. However, about 75 percent of all service members would be enrolled in the federal civilian Thrift Savings Program, a 401(k)-style retirement plan.

The move in large part reflects the increasing unattractiveness of the military as a lifelong career. According to the study, approximately 17 percent of enlisted personnel stay on long enough to qualify for the current pension scheme.

The report laments the fact that beneficiaries of the current government-run military healthcare plan, known as Tricare, receive healthcare "at a significantly higher rate than do people with civilian health insurance plans." Tricare's inability to "effectively manage the rate at which users consume health care," according to the report, is primarily due to the fact that out-of-pocket expenses are low when compared to civilian healthcare programs. In addition to raising out-of-pocket expenses, the commission also recommends various "nonmonetary tools" such as "preventing

hospital admissions, shortening inpatient stays, and avoiding readmission,” which they implausibly claim will lead to “better healthcare outcomes.”

Towards this end, the Commission’s report calls for market-based healthcare “reform” which would phase out Tricare. Family members and retirees under the age of 65 would be forced onto the private health insurance market under a scheme reminiscent of Obamacare, in which they would receive vouchers, called the “Basic Allowance for Healthcare,” to help offset the costs. The program would be similar to the civilian Federal Employee Healthcare Benefits Program and run out of the same federal office rather than by the Defense Department.

The report also advocates cost-savings in the military’s commissary system, upon which many soldiers and their families rely for food, cutting over \$500 million from the budget for commissaries by 2021, compared to the current budget of \$1.4 billion. The military’s version of food stamps would also be eliminated. The Commission’s recommendations will not be included in this year’s budget, according to Defense Secretary Chuck Hagel, but would “inform discussions that DoD will have with Congress over the course of this year.” However, whether or not the new Republican-controlled congress will act on these recommendations remains to be seen. The initial response so far has been lukewarm. Senator John McCain (R-AZ), chairman of the Senate Armed Services Committee, said that he opposes the plan to abolish Tricare, but added that the report deserves “thorough review and thoughtful consideration.” Marc Thornberry (R-TX), chairman of the House Armed Services Committee, cautioned that the military “must compete with the private sector for talent.”

Obama, mere days after praising the Commission for their work, announced a proposal yesterday to increase funds for the VA system, funded partially by reallocating a token amount of money from an existing healthcare “choice” program for veterans, in a transparent attempt at grandstanding. House Republicans immediately voiced their opposition to his proposal, ending any possibility of its passage. The Veteran’s Choice Program that he proposes to cut into was passed overwhelmingly last summer in the Democratic-controlled Senate, and Obama himself signed the bill into law in August.

In reality, both parties support the Commission’s argument that benefit costs must be reined in, in particular the Commission’s call for the privatization of veteran’s healthcare. The political establishment seized upon a scandal last year surrounding the deaths of 40 veterans while waiting for treatment at an Arizona VA hospital to “prove” the ineffectiveness of government-run healthcare.

There is, however a clear concern within the government that cutting too deeply into military benefits, the most attractive component of otherwise relatively low-paying employment, would negatively impact the effectiveness of the military at a time when US military aggression is being increasingly utilized to counteract diplomatic crisis and economic decline.



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