

**PREPARED STATEMENT
OF
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ACTING UNDER SECRETARY OF DEFENSE FOR
PERSONNEL AND READINESS**

BEFORE THE

**HOUSE ARMED SERVICES COMMITTEE
MILITARY PERSONNEL SUBCOMMITTEE**

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Chairman Wilson, Ranking Member Davis, and distinguished members of the Subcommittee, I appreciate the opportunity to appear before you to discuss key personnel and manpower matters in support of the President's Fiscal Year (FY) 2015 budget request. The FY 2015 Defense budget request of \$495.6 billion includes \$176.6 billion for our military personnel pay and benefits, such as retirement benefits and medical care, which make up more than a third of the Department's base budget request.

As Secretary Hagel testified before you, the Department's priority was to balance readiness, capability and capacity, favoring a smaller force that is properly trained, capable and modernized to accomplish its mission. The Secretary of Defense has been very clear that sequestration funding limits imposed by the Budget Control Act (BCA) of 2011 will yield a force that is too small, and not ready enough to meet the nation's security objectives. That said, the President's budget allows us to begin responsibly adapting and reshaping our defense enterprise in an era of unprecedented uncertainty and change.

The President's plan reflects the imperative to ensure that our military forces are ready and capable of responding to a rapidly evolving and complex security environment both now and in the future. It also reflects the difficult choices brought about by severely constrained resources and extreme fiscal uncertainty. These choices include:

- Reductions in troop strength and force structure in every military service – Active and Reserve – in order to sustain our readiness and technological superiority, and to protect critical capabilities like Special Operations Forces and cyber resources.
- Terminations or delays in some modernization/procurement programs to protect our most acute readiness challenges in training and maintenance.
- Slowed growth of military compensation costs in ways that will preserve the quality of the All-Volunteer Force, but also free up critical funds needed for sustaining training, readiness, and modernization.

BALANCING A READY AND CAPABLE FORCE

Thirteen years of demanding operations in support of OIF and OEF required the Services to generate forces suited to those missions at the expense of maintaining the full spectrum of capabilities demanded by the 2012 Defense Strategic Guidance (DSG). As those operations began to wind down, the Services faced a series of challenges of simultaneously broadening their operational focus and reducing force capacity in an era of diminishing resources. The President's Budget request for FY 2014 reflected the Services' plans for recovering these full-spectrum capabilities over the next five years. Sequestration in FY 2013, operating under a 6 month continuing resolution, and unanticipated war costs all contributed to degraded readiness and hindered those initial readiness recovery plans. As a result, readiness was alarmingly low by the end of FY 2013.

The Bipartisan Budget Act (BBA) of 2013 unquestionably stemmed this readiness decline. The FY 2014 enacted appropriations targeted the most pronounced shortfalls, especially in the areas of training and maintenance. However, FY 2015 funding levels do not sustain that level of investment. The budget does not provide adequate funding for modernization, increased training and facility sustainment needed to resolve the Department's readiness challenges. However, under the very tight constraints of the FY 2015 funding caps and the uncertainty of funding levels in future years, the breadth and scope of our existing readiness challenges guarantee that they will take years of sustained investment to fix. It took years to produce our readiness challenges and it will take years to resolve them.

Over the last decade, counterinsurgency training and operations have crowded out the ability to train for higher-end, doctrinal missions. This not only reduced the full-spectrum capability of units, it limited the leadership development of the junior and mid-grade members

who will lead future operations. The Army estimates that over 5,500 company commanders did not receive the necessary professional development in combined arms maneuver as part of unit decisive action training. The Air Force, Marine Corps and Special Operations Forces saw similar patterns and while their units have performed extraordinarily well for the missions they are currently assigned, they are not prepared for the full spectrum of conflict. FY 2014 and 2015 funding allowed some training recovery, but not enough to relieve this backlog.

Much of the funding requested in the Opportunity, Growth and Security Initiative is designed to further close readiness gaps in training. For example, while the Army already programmed for 17 full-spectrum training rotations for FY2015, it would apply its investment funds to additional ground and aviation training, allowing them to make greater progress in regaining full-spectrum capability. The Marine Corps would direct additional funds towards training its operational forces, maximizing its opportunity to create expeditionary, highly capable forces to provide forward presence and crisis response. The Air Force would increase flying hours with extra funds to give pilots more flying time to further restore capabilities across the full range of required missions. U.S. Special Operations Command will provide additional funding to help recover maritime skills for SEALs and full-spectrum aviation readiness for special operations aviators.

The Opportunity, Growth and Security Initiative would also help resolve some of the Service's maintenance challenges, especially aviation maintenance. However, probably the most important use of this investment fund is to address mounting degradations in the facilities, ranges, logistics support, and procurement. The Services have been driven to underfund these accounts in order to protect higher-priority training and maintenance concerns. While defensible, this strategy is not sustainable. For example, the Navy needs additional funding to reinstate a large

portion of their facility sustainment, recapitalization and modernization accounts. This funding will help protect the industrial base and allow for fluid throughput at the maintenance centers and shipyards. Similarly the Marine Corps and Air Force both seek additional funding to cover range upkeep and modernization.

The President's plan to create a smaller but capable force did not come without sobering choices. The most difficult involve drawing down end strength and slowing the growth military and civilian personnel costs. We know that the single most critical readiness determinant is the quality of our people. Our military personnel and their families have shouldered the worst costs of the longest war in our nation's history and deserve the most compensation a grateful nation can afford. We have also vowed to never again send our people into harm's way unprepared for the missions they will face. Today's fiscal climate creates huge challenges in balancing these two imperatives. This budget reflects long and careful deliberation about how to strike this balance. Below are specific force structure and compensation proposals that would allow the Department to achieve that end.

Reduction in End Strength

Since DoD strategy will no longer size the force for prolonged stability operations, the Army will accelerate the pace of its drawdown, attaining an end strength of 490,000 by the end of FY 2015 from the current 520,000 and will continue to drawdown to a range of 440,000 to 450,000 Active Duty soldiers in subsequent years. To maintain a balanced force, the Army National Guard and Reserves will also draw down in FY 2015 to 350,200 and 202,000, respectively and continue to 335,000 and 195,000 in subsequent years. We will help ensure this force remains well trained and equipped.

However, if sequestration returns in 2016, both the Army Active and Reserve Components would be forced to be smaller, with an uncertain level of readiness, resulting in a drawdown to 420,000 Active, 315,000 National Guard, and 185,000 Reserves.

The Marine Corps Active Force numbers about 190,000 today and will draw down to 182,000 in the next several years. This figure provides for about 900 additional Marines for embassy security. Unfortunately, like the Army, they will have to reduce further, to about 175,000, if sequestration is not avoided. The Marine Corps Reserve is also planning for a slight decrease.

Air Force end strength reflects force structure choices, decreasing to 310,900 in FY 2015, while the Reserve and Guard decrease slightly to 67,100 and 105,000, respectively. Like the Air Force's, Navy end strength complements force structure choices. Navy strength remains steady in FY 2015 at 323,600, while the Reserve declines slightly to 57,300.

Pay Increase (except GO/FO for one year)

The FY 2015 President's Budget requests a 1 percent raise in basic pay for military personnel, with the exception of general and flag officers, whose pay will be frozen for a year. Basic pay raises in future years will be similarly restrained, though modest increases will continue.

Finding the appropriate balance between providing the men and women who serve our great nation a competitive package of pay and benefits and, while providing them the best possible training and equipment is a monumental challenge in the current fiscal environment. Making appropriate adjustments to control the growth in compensation costs now will aid the Department in achieving this balance.

Basic Allowance for Housing (BAH)

The Department is proposing to gradually slow the growth rate of the tax-free basic allowance for housing, until the BAH ultimately covers approximately 95 percent of the average Service member's housing expenses, and eliminate renter's insurance costs from the allowance. This will allow the Department to effectively operate under constrained budgets, while still being able to recruit and retain an All-Volunteer Force. These changes will be phased in over several years to allow members to plan accordingly. Additionally, the rate protection feature already in place for BAH will remain in effect. A member's BAH will not be reduced so long as that member retains eligibility for BAH at the same location and does not change dependency status or lose rank. Service members in the same pay grade but living in different areas would have their BAH rates adjusted by the same dollar amount to ensure members retain the same purchasing power regardless of the cost of housing in their local area. Adjusted rates will be publicly available (as they are today) to allow members to make informed decisions when making housing choices. Depending on a member's actual housing choices, they may or may not have to pay any out of pocket costs. Savings generated from this proposal will be reinvested back into the force for training and readiness.

Commissaries – Reducing Direct Subsidies

Commissaries currently receive an appropriation of \$1.4 billion per year. We propose a \$1.0 billion decrease to the annual budget to operate commissaries, with the decrease taking place gradually over the next three years. Our plan does not direct the closure of any commissary. Under this plan overseas commissaries and those in remote locations will continue receiving direct subsidies. The Defense Commissary Agency (DeCA) will continue to receive

approximately \$400 million to support overseas commissaries and those commissaries designated by the Department as remote/isolated. Prices at all commissaries will rise, however, and the mix of products may change. Commissaries will also need to find additional operating efficiencies. This plan requires changes to U.S. law. The Department is drafting a proposal for the FY 2015 National Defense Authorization Act to implement the adjustments.

The Department recognizes the value of commissaries to our people, especially younger military families and retirees. Stateside commissaries, however, have many private-sector competitors and it is reasonable to operate more like a business. Commissaries will continue to provide good deals to Service members, military families and retirees and will remain a dependable benefit for families, particularly those serving overseas and in remote and isolated areas.

TRICARE – System Modernization

We will simplify and modernize our TRICARE health insurance program by consolidating plans and adjusting deductibles and co-pays in ways that encourage members to use the most affordable means of care – such as military treatment facilities, preferred providers, and generic prescriptions, while also increasing their freedom of choice. The proposed TRICARE Consolidated Health Plan consolidates the various TRICARE plans, while also increasing their freedom of choice. Prime, Extra, and Standard, into one plan. The proposal also includes modest changes in beneficiary out-of-pockets costs for Active Duty families, retirees and their families, and Reserve Component members and their families.

Service members on Active Duty would have no out-of-pocket expenses regardless of the point of care delivery (Military Treatment Facilities [MTF], network, or out-of-network) and the

highest priority for MTF care. The cumulative effect of the proposed TRICARE fee increases still ensures beneficiary out-of-pocket costs (a) remain far below costs experienced by military beneficiaries in 1994, and (b) remain far better than virtually every comparable employer in the U.S. today. The TRICARE benefit remains one of the most comprehensive benefits in the country, as it should be.

The Quality of Service

The quality of our men and women in uniform directly contributes to our role as the world's pre-eminent fighting force. We know that pecuniary compensation is only part of what attracts and retains people, and this is especially true for military members. Our members join the Service to learn and exercise new skills. The opportunity for overseas travel is often an explicit benefit cited by recruits. However, if we cannot afford to train, exercise, or operate—in other words, if the quality of our Service diminished, we will lose precisely those members who we want to retain the most.

We have experienced just these problems before. In the late 1990s, when budgets were under significant pressure, the Navy and Air Force were not able to keep aircraft up and flying. Problems were so acute, that the Navy even experimented with “bagging” aircraft as a means of storing aircraft that they could not afford to fly. At the same time, the airlines were actively recruiting and, as a result, we suffered significant losses in second-tour, experienced pilots. It took years and a variety of bonuses to recover from the degradation.

We are very concerned about repeating these mistakes. Today, we are struggling to maintain the same promise of a valuable military career to our members and must protect our training and exercise dollars to keep our best and brightest.

America has an obligation to make sure Service members and their families are fairly and appropriately compensated and cared for during and after their time in uniform. We also have a responsibility to give our troops the finest training and equipment possible – so that whenever America calls upon them, they are prepared with every advantage we can give them so that they will return home safely to their families. The President’s budget fulfills both of these promises to our Service members and their families by making several specific proposals.

TOTAL FORCE AND FORCE MANAGEMENT

A fundamental key to future readiness is the well-reasoned management of the Total Force of Active and Reserve military, government civilians and contracts for services. The Department must balance force readiness with fiscal reality in the face of uncertain, evolving operational challenges.

We do not believe this is simply an issue of the “least costly force.” Moreover, the nation’s uniformed All-Volunteer Force is the implicit assumption upon which all our commanders’ plans are predicated. If we fail to sustain it, little else will matter. However, even the All-Volunteer Force must conform to today’s fiscal challenges. The proposed Active and Reserve force structure in the FY 2015 budget reflects this reality while ensuring that we meet our defense strategy.

The Services continue to reduce their forces to meet their prescribed end strengths. With the assistance of Congress, the Department has the force shaping tools necessary to meet the drawdown in its current plan. However, continued budget reductions make it necessary to revisit the composition of all components of the Total Force—Active Duty, Reserve Component, DoD

civilians and contractors. Future assessment may require requesting additional Congressional authorization for force shaping tools to meet reduced end strengths.

Active and Reserve Component Recruiting and Retention

The All-Volunteer Force has performed remarkably well for more than 40 years. This success does not come easily and is the result of teamwork and countless hours by a dedicated force of professional recruiters. Even after 13 years of protracted conflict our recruiters continue to attract the best and the brightest of America's youth from around the country. These diverse young men and women represent the United States proudly around the world as members of the strongest and most respected military in the world.

FY 2013 was a successful recruiting year. All but two of the components achieved FY 2013 missions, with only the Army Guard (99 percent) and the Army Reserve (88 percent) recruiting less than their goal. Competition for high quality Reserve recruits will increase as the economy improves and the Services draw down. Reserve recruiting missions may be more difficult to achieve. As such, the recruiting forces have already begun to adopt a more aggressive proactive canvassing approach to their efforts. However, as the Active Component continues to reduce end strength, some Active Duty members may choose to continue Service in the Reserve Component.

Collectively, the Department recruited 276,210 new enlisted members for the Total Military force in FY 2013. The Department also met or exceeded both of the established benchmarks for new recruits in FY 2013. DoD-wide, 99.6 percent of new Active Duty recruits, and 96.6 percent of Reserve recruits, were high school diploma graduates against our benchmark of 90 percent. Further, 75 and 67 percent respectively scored above average on the AFQT,

versus our benchmark of 60 percent. Through the first quarter of FY 2014, all Services except Army Reserve have met or exceed recruiting quantity and quality objectives year-to-date.

The recruiting market is changing and the Department's continued recruiting success may become more difficult and we must remain focused and vigilant. Today, nearly 75 percent of our youth are not qualified for military Service with medical conditions and weight accounting for most of the disqualifications. Data from the Joint Advertising and Market Research and Studies (JAMRS) program also show that only 14 percent of youth are inclined to serve in the Military. Current economic conditions have highlighted the value of serving in the military to some people who in the past may not have given it serious consideration. However, the downward trend in youth unemployment indicates we are entering a more competitive employment environment, which can make military Service less attractive.

In these times of constrained resources each Service has reviewed and made adjustments to its recruiting programs. However, we must be prudent in considering further cuts to these programs. In order to man the All-Volunteer Force, sustained resources must be available for the Services to continue to meet the recruiting missions which are vital to our Nation's security.

FY 2013 was also a successful year for retention, as each of the Services successfully met their overall retention goals. Reserve Component attrition has also remained consistent in both FY 2012 and 2013. The aggregate fiscal-year-to-date departmental attrition rate was 5.97 percent in FY 2013 and is currently at 5.99 percent. However, as we reduce the budget and the economy continues to improve, it will become increasingly challenging to retain the best and most qualified Service members. Reduced discretionary funds will limit our ability to offer selective reenlistment bonuses in high demand-low density skills that are equally valued in the private sector.

Special Pays and Bonuses

While retention has been strong over the past several years, certain career fields and specialties continue to see manning shortages and experience difficulty in filling billets in certain critical skills. As a result, DoD continues to rely on the use of special and incentive pays. At less than \$4 billion, these pays are a small, but critical, part of the total budget. They provide a cost effective and efficient tool by selectively and precisely targeting pay to incentivize specific behaviors in order to address our specific force manning challenges.

DoD is currently in the midst of a 10-year plan to transition the legacy special and incentive pays to the new, flexible special and incentive pay authorities provided by Congress. To date, the Department has implemented seven of the ten consolidated authorities in subchapters II and III, chapter 5, title 37 U.S. Code. For example, the general bonus authority for enlisted members (section 331) consolidates nine separate authorities, allowing the Department to offer enlisted bonuses to members in the Active and Reserve Components. We are currently on schedule in the transition process and expect the entire transition process to be complete on time.

The “Right” Mix of the Active and Reserve Forces

The Reserve Component (RC) offers the opportunity to preserve military capability and capacity at reduced cost. Keeping the RC prepared through periodic deployments adds value to the military by maintaining Guard and Reserve readiness, augmenting the Active Component (AC), and providing force structure options in our resource constrained environment.

Recently passed legislation has enabled the Services to program the operational use of the RC by providing access for National Guard and Reserve utilization. I appreciate the authorities and support this Committee has provided in this matter.

The Reserve Components are more integrated, and are better manned, equipped and trained than ever before in history. RC units and Service members have answered the call globally and in significant domestic crises. The systems for producing ready Active Component (AC) and Reserve Component (RC) forces have improved dramatically in the last 13 years of war. Those systems that are working now must be sustained to retain the best of what has been gained. As we shift to a smaller military, more modern and capable of global actions, the Department will continue to leverage the RC.

As overall deployments decrease, military integration and initiatives to enhance integration will sustain readiness. The Air Force, by example, has pioneered a culture of utilization of the RC, specifically, where associate units share equipment and facilities and maintain readiness to identical standards. Across the Services, there are opportunities to further integrate RC into AC and vice versa, leading to greater efficiency and effectiveness. The fiscal challenges we face call for innovative solutions to readiness problems, and we will continue to foster greater utilization and integration of the RC.

SUSTAINING SUPERIOR AND COST-EFFECTIVE MILITARY HEALTH SYSTEM

American medicine has changed since the TRICARE plans were put into place 18 years ago, and it is time to update and modernize TRICARE based on what we learned. Currently, elements of our TRICARE health plan design are costly and administratively complex – elements that reduce satisfaction, reduce timely access to care and increase costs. Other design

elements provide no financial differentiation for beneficiaries in selecting sources of care, resulting in patients using less optimal and more costly care options. For example, no cost-sharing for emergency room (ER) care has contributed to almost double the ER utilization rate seen in civilian health plans. In addition, we have not increased out-of-pocket costs since the TRICARE program was first introduced.

We are taking a number of steps to ensure the long term viability of the TRICARE Program. First, we are taking an aggressive approach to health promotion and prevention. Operation Live Well is the overarching framework for a set of programs and Services we are offering to our military communities. We are also focusing our efforts on the Healthy Base Initiative. For this Initiative, fourteen military installations and Defense agency offices around the world are participating in highly customized local efforts to improve health and well-being.

Second, over the last four years, the Department has identified a number of efforts focused on reducing purchased care costs – to include the implementation of outpatient prospective payment, reimbursement changes for Sole Community Hospitals, and changes in how we reimburse the Uniformed Services Family Health Plan providers for our dual-eligible Medicare/TRICARE beneficiaries.

Third, we are taking steps to improve the execution of the TRICARE Health Plan by better integrating the Services provided in our direct care and purchased care systems. As this generation of TRICARE contracts nears the end of its contract term, the Department is looking to reshape our contracts in ways that can improve integration with military medical facilities, reduce unnecessary overhead and achieve greater simplicity for the beneficiary and the government.

Fourth, our FY 2015 budget proposal includes efforts to modernize TRICARE, which has

not changed since its inception in 1995. In this proposal, we plan to simplify and modernize the existing TRICARE program in ways that provide incentives for wellness, decrease health Services overutilization, and allow beneficiaries to choose their providers. Preventive Services would be covered at no cost to beneficiaries, regardless of where they receive their care – MTF, network or out-of-network.

Finally, we are focused on ensuring that our Service member, families and retirees continue to receive the best medical care possible. Regardless of the budget realities, that commitment and priority does not change. They deserve no less.

Autism and Applied Behavior Analysis (ABA)

The Military Health System provides one of the most comprehensive sets of specialized services for children with an Autism Spectrum Disorder (ASD) diagnosis, to include the provision of ABA, in the United States. The TRICARE Basic Program is a comprehensive health benefit plan offering a full array of medically necessary services to address the needs of all beneficiaries with ASD. TRICARE's Basic Program provides occupational therapy to promote the development of self-care skills, physical therapy to promote coordination/motor skills, speech and language therapy to promote communication skills, child psychiatry and child psychology to address psychopharmacological needs, and psychological testing. The full range of medical specialties to address the additional medical conditions common to this population are covered.

All TRICARE family members with a diagnosis of an ASD, established by a TRICARE authorized provider, are eligible for ABA by a Board Certified Behavior Analyst (BCBA) or Board Certified Behavior Analyst-Doctorate-level provider (BCBA-D). Further, the Department

is processing claims for additional ABA Services authorized under the Extended Care Health Option (ECHO) Autism Demonstration, extended to March 15, 2015. The central aspect of the ECHO Autism Demonstration is to provide reimbursement for one-on-one ABA services delivered by individuals who are not TRICARE-authorized providers. These non-certified individuals are referred to in the ECHO Autism Demonstration as “ABA Tutors” by TRICARE, or “ABA Behavioral Technicians” by the Behavior Analyst Certification Board (BACB). Also, under the added authority of the one-year ABA Pilot Program established by Section 705 of the 2013 NDAA (the ABA Pilot), a new interim TRICARE ABA reinforcement benefit for retired family members was implemented on July 25, 2013, modeled after the ECHO Autism Demonstration.

Mental Health Support

The Department considers the behavioral health of its Service members and their families a top priority. The TRICARE plan provides a generous and comprehensive mental health benefit for Active Duty, Reserve and Guard Service members, retirees, and their families, including psychiatric outpatient, inpatient, partial hospitalization, and residential treatment Services. To ensure access to this care, DoD has hired more behavioral health specialists, brought on Public Health Service medical professionals, expanded the TRICARE network, issued regulations to recognize the independent practice of certified mental health counselors, worked to further destigmatize mental health treatment and expanded the ways by which our beneficiaries can access mental health Services.

The requirements of the Mental Health Parity Act of 1996 and the Mental Health Parity Addiction Equity Act of 2008, as well as the plan benefit provisions contained in the Patient

Protection and Affordable Care Act, do not apply to the TRICARE program. However, DoD fully supports the principle of mental health parity and has undertaken a complete review in order to assess and address any perceived gaps in parity. Should gaps be identified, DoD will request legislation and modify regulations to eliminate any barriers to medically necessary and appropriate mental health Services.

Traumatic Brain Injuries (TBI) and Post Traumatic Stress Disorder (PTSD)

Since most Traumatic Brain Injuries (TBIs) incurred by Service members are mild (mTBI), the Department has focused on early identification to ensure effective mitigation and treatment of the physical, emotional, and cognitive effects of the injury. DoD is also investing heavily in TBI research with an emphasis on the development of diagnostic tools, evidence-based care protocols, and studies that follow TBI patients over time to better understand the course of the condition. This research has already led to advances in understanding what happens to the brain after a concussive event, including advancements in neuroimaging, biomarkers, and rehabilitation efforts.

The long-term effects of TBI, including conditions that can occur after mTBI is another area of focus for the DoD. We know that a person will experience more symptoms and longer recovery times with higher numbers of concussions. Some of these symptoms may complicate recovery and are often associated with other conditions such as PTSD, depression, chronic pain, sleep problems, or substance use disorders. The Department has several programs in place to better understand the long-term effects of TBI and the effects that occur with it.

A recent “game changer” in the field of TBI is the Defense and Veterans Brain Injury Center (DVBIC) developed guidance, a “how to” manual on Progressive Return to Activity

following mild TBI, which defines what “rest” should be after concussion, as well as outlines the steps to take and what to avoid in order for an individual to successfully return to pre-concussion activities. This tool is the first of its kind in the world.

Following implementation of theater-wide policies, including the September 2012 DoD Instruction 6490.11 "DoD Policy Guidance for Management of Mild Traumatic Brain Injury/Concussion in the Deployed Setting," approximately 16,300 Service members were screened for mild TBI/concussion following potentially concussive events in theater (August 2010 to December 2013). Of those screened, approximately 16.1 percent (2,629) were diagnosed with mild TBI/concussion, which has been a consistent trend over the last three years.

The Department continues to place great emphasis on policies and procedures related to Post Traumatic Stress Disorder (PTSD). Refinements to policies and procedures for review of post-9/11 PTSD cases have provided unprecedented levels of protections for our affected Service members. The Department remains committed to maintaining and improving policies and procedures to ensure fairness and equity in the review of all PTSD claims with a view toward appropriate disposition based upon the facts and circumstances of each individual case.

Substance Abuse Program Policies

The Department is taking steps to improve and sustain Substance Use Disorder (SUD) Services. These efforts include removing the ban on substitution therapies for the treatment of SUDs, revision of policy and changes to TRICARE coverage of SUD care, and formation of an Addictive Substance Misuse Advisory Committee in March 2011 to standardize SUD prevention and treatment efforts.

In addition, DoD Instruction 1010.01, “Military Personnel Drug Abuse Testing Program,” was published on September 13, 2012, to establish standards for specimen and data collection on drug use and misuse and to direct the Services to issue guidance regarding participation in national anti-drug awareness, community outreach, and education campaigns. Finally, a new DoD Instruction 1010.04, entitled “Problematic Substance Use by Department of Defense Personnel,” was published on February 20, 2014. It establishes requirements for prevention, screening, and intervention for SUDs.

Laboratory Developed Tests (LDTs)

The Department is aware of industry and beneficiary concern with our policies regarding the reimbursement for select Laboratory Developed Tests (LDTs) – medical tests created and owned by individual laboratories for purposes of determining a diagnosis or providing information to guide potential treatment. We are in the process of proposing an expanded demonstration program to provide a pathway for the Department to reimburse laboratories for LDTs that are medically appropriate and meet the standard of care. We are committed to identifying and implementing administrative solutions that will be more responsive to rapidly evolving medical technologies.

Care of Our Wounded, Ill and Injured Service Members

We have made great strides towards improving the disability evaluation of our wounded, ill, and injured Service members. In 2007, DoD and VA created the Integrated Disability Evaluation System (IDES) to provide Service members a fairer, faster, and more transparent process to receive both their DoD and VA disability benefits. As of January 2014, the IDES has

reduced the “benefits cliff” between military Service pay and disability compensation from 240 to 77 days. In our most recent IDES customer survey, 83% of Service members indicated satisfaction with the IDES process.

The Departments continue to improve the IDES process. We have increased our IDES staff and improved our timeliness, which has decreased DoD process times (106 days against a 105-day goal). We have created an electronic case file transfer capability to eliminate mailing paper records and are collaborating with VA on completion of its interface to the Veterans Benefits Management System that will enable both departments to process IDES cases electronically.

We are not stopping there. We are implementing an IDES Quality Assurance Program to measure accuracy and consistency of Medical and Physical Evaluation Board decisions. Additionally, we are studying options to reform DoD’s disability evaluation and temporary disability retirement programs. We will not have the recommendations and results of those studies until later this year at which time we will decide whether legislative relief is required for implementation.

Electronic Health Records (EHR)

A critical force multiplier for our system of care and important element of our modernization priorities is to implement a new Electronic Health Record (EHR) in the coming years. Over the last ten months, we have made tactical changes in how we will work with the VA on this effort, but our strategic objectives remains the same: (1) Provide seamless, integrated sharing of standardized health data among DoD, VA, and private sector providers; and (2) Modernize the electronic software and systems supporting DoD and VA clinicians. The

Department is now moving forward with our plan to procure a new EHR through full and open competition.

Suicide Prevention

Deaths from suicide in the U. S. Armed Forces increased between 2001 and 2012, peaking in 2012. Preliminary 2013 data indicates this trend is reversing, with Active Component deaths from suicide declining (~18%), and Reserve Component deaths from suicides showing a slight increase (~5%). Several more years of data will be needed to substantiate a trend. Reducing suicide in the military will always be a difficult task, one that broader society also struggles to accomplish; as suicide is the 10th leading cause of death in the general population.

The DoD Suicide Event Report indicates that those who have died by suicide have predominately been younger, Caucasian males, in junior ranks who used a firearm. About half had deployed and a small percentage had seen combat. Less than half had a known mental health diagnosis.

Regardless of the associated factors with suicides, the lives of our Servicemen and women are too important for me to not make suicide prevention a priority. DoD has responded by focusing on resilience training, outreach campaigns that reduce stigma, conducting program evaluation and research, and increasing access to behavioral health care by increasing the size of its mental health system and embedding providers in primary care and line units, at home and abroad. Additionally, confidential peer support and resilience case management are key components in expanding venues for addressing this complex problem.

SEXUAL ASSAULT PREVENTION AND RESPONSE:

Preventing and responding to sexual assault is a top priority, and considerable efforts are underway to combat this crime. Our program is proactive, victim-focused, and multi-disciplinary, with leaders at all levels taking steps to establish a culture of dignity, respect, and professional values. We employ and must sustain a multi-pronged approach, which requires persistence and innovation in victim assistance, prevention, investigation, accountability, and assessment. A critical element to our approach is increasing victim confidence, so that more victims are willing to report. We know that our response to a report of sexual assault will impact future victims' decisions to report – and reporting is essential to delivering care and to holding offenders appropriately accountable.

Our preliminary data for FY 2013 shows a dramatic increase in reports when compared to all previous years. Historically, reports of sexual assault have increased about 5 percent per year since 2007. In FY 2013, reports are up an unprecedented 50 percent with commanders at the center of our military justice system making disposition decisions. We assess this increase as consistent with a growing level of confidence in our response systems. This provides an indication that the wide range of sexual assault prevention and response initiatives fielded over the past year and a half are having a positive impact throughout the force, as more victims are reporting and accessing critical support.

Status of 2013 and 2014 NDAA Progress

In cooperation with Congressional leadership, the Services are implementing a number of significant reforms put forward in recent Defense Authorization bills. In fact, the 2014 NDAA provided the most sweeping reform to the Uniform Code of Military Justice (UCMJ) since 1968

with 16 different military justice provisions that enhance victims' rights and constrain convening authorities' power. Specifically, the 2014 NDAA included 33 different sections of law containing multiple provisions in each section. We have already taken action to put into effect three provisions: the prohibitions on accessions for those who have sexual assault convictions; the ability to conduct an expedited transfer of the suspect; and the mandatory referral of sexual assault incidents to independent Military Criminal Investigative Organizations.

The 2013 NDAA contains 18 substantive provisions and requires five Congressional reports. With the issuance of an updated DoD Instruction earlier this year, the vast majority of these provisions have been fully implemented. Four are still in progress. Two involve the independent Response Systems Panel review of the UCMJ and a separate Judicial Proceedings Panel review, both of which are continuing their work. The Panels' reports will be filed by their suspense dates, the first of which is June of this year. The two remaining policy provisions will be completed when our instructions on Reserve Component Line of Duty Findings for Health Care and the Military Equal Opportunity Program are issued. Of the five Congressional reports, three have been completed with the submission of the Special Victims Capability report, the FY 2013 Sexual Assault Prevention and Response Annual Report, and the report on General Officer reviews of separation of members who were sexual assault victims.

Status and Progress of SECDEF Initiatives

In addition to the work of Congress, the Department continues to be proactive in fielding solutions that will make a difference in preventing and responding to sexual assault, particularly when the Secretary has the authority to do so. Secretary Hagel has directed the implementation of 21 specific initiatives since May 2013. These actions are designed to empower victims,

improve care, and enhance the administration of military justice. I wanted to highlight a few for you here today:

- Implementation of the Special Victims Counsel program, which offers sexual assault victims legal consultation and representation throughout the justice process. More than 185 attorneys are now fielded across the armed forces.
- The Services have fielded evaluation methods to assess the performance of military commanders and enlisted leaders in establishing command climates of dignity and respect and adhering to SAPR principles.
- Another critical element of establishing the culture we desire is the Secretary's direction to elevate command climate surveys to the next commander in the chain of command to increase the level of accountability for maintaining a climate of dignity and respect.
- We have also now taken a best practice from one of the Services – the Marine Corps 8-day oversight report – and intend to make it a common practice across all of the Services. That policy is in final coordination and will ensure that General Officers have oversight of the immediate response to a sexual assault report.

Additionally, in coordination with the release of the Military Service Academy Report in January, Secretary Hagel directed five additional measures to enhance program effectiveness, advance the culture we desire, and expand alcohol policies at the Academies.

Surveys

As you know, the Department utilizes the Workplace and Gender Relations Survey of Active Duty Members, conducted by the Defense Manpower Data Center, to assess the prevalence rate of sexual assault and sexual harassment in the Active Duty force. The Department has comparable unwanted sexual contact rates for 2006, 2010, and 2012. In FY 2014, the Department survey will be conducted by an outside organization. RAND will design, analyze, and report the survey results in our Progress Report to the President in December 2014 and the DoD Annual Report on Sexual Assault in the Military in April 2015.

Way Ahead

Sexual assault is one of the most serious challenges facing our personnel and compromising our military readiness. We will continue our prevention efforts on all fronts and at all levels by educating all Service members, commanders and leaders, and holding them appropriately accountable. We must preserve the system of justice and response systems that we have fielded and continue to improve upon; they are making a difference and motivating more victims to come forward. We will sustain our current intense level of attention, focus, and emphasis throughout the entire DoD.

MILITARY PERSONNEL POLICY AND FAMILY SUPPORT ISSUES:

While we remain attentive to all military personnel policies and family support programs, I want to highlight several recent areas of interest. We are working to address Congressional concerns and I am committed to keeping open communications and working closely with you to address these important issues to our Service members and their families.

Military Retirement System

While not part of the Department's FY 2015 proposals, the Department completed its two-year review of military retirement. Earlier this month, Acting Deputy Secretary of Defense Fox sent a letter to the Military Compensation and Retirement Modernization Commission and the Congress that offered four military retirement design options for consideration: the current retirement system, the "cost of living adjustment (COLA) minus one," and a white paper that outlines two retirement design concepts developed by the Department.

DoD does not specifically endorse any of the four design options submitted to the Commission, but we offered these four options for consideration and further deliberation. DoD, however, continues to firmly support the position that any new retirement system must be “grandfathered” to protect Service members currently serving and current retirees.

Women in the Services:

The Department is proceeding in a measured, deliberate, and responsible manner to implement changes that will enable Service members to serve in any capacity based on their abilities and qualifications and not their gender. Using the Joint Chiefs’ guiding principles to ensure successful implementation, the Services and the U.S. Special Operations Command (USSOCOM) are conducting thorough doctrine, training, education, facilities, and policy analyses to ensure deliberate and responsible implementation. The Department is committed to opening positions and occupations when and where it makes sense while preserving unit readiness, cohesion, and the quality of the All-Volunteer Force.

Implementation through 2016 will be an evolutionary process. Since start of the Women in Service Review effort in 2012, the Department has notified Congress of our intent to open approximately 57,000 positions that were previously closed to women, and we look forward to expanding opportunities for women into all newly opened positions and occupations within the Armed Forces, to the fullest extent, over the next two years.

Religious Accommodation

The Department has the responsibility to safeguard the First Amendment rights and the free exercise of religion for all military personnel. The Department places a high value on the

rights of personnel and their families to observe the tenets of their religions and recognize that the free exercise of religion is an important element of the operational readiness and well-being of our force.

DoD, as well as its respective Services, has, through policy and practice, consistently sought to strike the proper balance in respecting members' religious practices and maintaining military operational readiness.

To maintain this balance, the Department revised and published policy in DoD Instruction 1300.17, *Accommodation of Religious Practices within the Military Services*, to ensure the protection of rights of conscience of members of the Armed Forces in accordance with the 2013 and 2014 NDAA. Specifically, this policy balances and protects individual expression of sincerely held beliefs with military readiness and indicates to Service members and their commanders that requests for religious accommodation will be considered on a case-by-case basis.

To ensure more specific protections for the chaplains, the Department also revised policy in DoD Instruction 1304.28, *Guidance for the Appointment of Chaplains to the Military Departments*. Chaplains are protected from being required to perform any rite, ritual, or ceremony that is contrary to the conscience, moral principles, or religious beliefs of the chaplains, or to discriminate or take any adverse personnel action against a chaplain, including denial of promotion, schooling, training, or assignment, on the basis of the refusal by the chaplain to perform such duties. Because chaplains are Service members, their rights are also protected in DoD Instruction 1300.17.

In summary, Department policies more clearly provide for individual expressions of religious beliefs and strive to accommodate requests for religious accommodation. If concerns

arise, commanders of the unit involved handle these issues on a case-by-case basis with advisement from chaplains to find the best avenue in balancing religious freedoms with mission accomplishment.

Diversity Management and Equal Opportunity

The purpose of the Defense Equal Opportunity Management Institute (DEOMI), under my oversight, is to enhance mission readiness by promoting human dignity through education and research in equity, diversity and cultural competence. DEOMI's primary mission is to enhance unit combat and operational readiness and organizational leadership and cohesion by training DoD military personnel assigned to units as equal opportunity advisors (EOAs) to military Commanders. DEOMI has trained thousands of EOAs in its 43 years of existence and recently celebrated 30 years of accreditation with the national Council on Occupational Education.

Recent Congressional and media interest have focused on DEOMI after military members in the field identified in their equal opportunity training certain organizations as extremists or hate groups. Maintaining or relating lists that identify organizations as extremists or hate groups is inconsistent with DoD policy and DEOMI training. DEOMI does not support or endorse any entities list of extremist organizations or hate groups.

The Military Tuition Assistance (TA) Program

DoD supports Service members in the pursuit of their educational goals via the military TA program, which helps to defray the rising cost of tuition. Given the current and projected fiscal environment, we must continually evaluate programs across the Department and provide

guidance to the Services to ensure consistency. Each year, a third of our Service members enroll in post-secondary education courses leading to associates, bachelors and advanced degrees. During FY 2013 we saw over 827,000 course enrollments, and more than 55,000 Service members earn degrees and certifications. This statistic has held steady over the previous few years.

Ensuring the quality of education provided our Service members is essential to the Department. Underpinning this effort is DoD's requirement that all post-secondary institutions that participate in the TA program must be accredited by an accrediting body recognized by the Department of Education (DOE). The implementation of the requirements in Executive Order 13607 makes it easier for Service members and Veterans to make informed decisions regarding their educational choices and helps counter deceptive practices by some educational institutions. Starting in summer of 2013, the DoD, VA, DOE and agency partners, including: the Department of Justice, the Consumer Financial Protection Bureau and Federal Trade Commission, began implementing pieces of the legislation. These efforts included launching a student complaint system. This system provides a centralized, online tool for students to provide feedback on schools. The Postsecondary Education Complaint System (PECS) went on line on January 30, 2014. The system ensures judicious stewardship of taxpayer dollars by increasing and improving oversight of the educational programs offered to our Service members by the 3,245 educational institutions that signed an MOU with DoD agreeing to provide special protections for military students.

DoD is committed to offering high quality, comprehensive, lifelong learning opportunities for Service members and effectively delivering voluntary education programs that meet the changing needs of the military.

Support for Military Families with Special Needs

The Department continues to make progress addressing gaps in Services supporting military families with special needs. At the forefront of this effort is a multi-year functional analysis of the current Exceptional Family Member Program (EFMP), which will standardize the EFMP to be completed across the military Services. The goal is to provide families with the same level of access to the program regardless of location or Service affiliation, to include uniform procedures to support timely identification and enrollment and to centralize management of cross-Service data. A working group within DoD is being formed to further address challenges for families with special needs. Training has already been conducted on the new Quick Reference Guide and Family Needs Assessment form.

Future of Service Member and Family Support – Efficiencies and Transformation

The Task Force on Common Services for Service Member and Family Support Programs conducted a joint one-year senior-level review of total cost and methods of providing common Services for military and family programs DoD-wide. It explored 15 different support areas in detail (such as child care, youth, family programs; lodging; Exceptional Family Member Program; personal financial management programs) and documented more than 200 actionable recommendations to improve effectiveness, increase economies of program delivery, and reduce related overhead expenses. The results suggest that there is significant room for improvement in cooperation and collaboration, with the potential for consolidating certain kinds of support to all, with no impact to the end user.

TRANSITION SUPPORT:

Our commitment continues as we assist our Service members transition successfully to civilian careers and veteran status. Transition assistance is a vital to aiding our Service members, spouses, and family members. We will continue to work closely with the VA, Department of Labor (DOL), and other federal, state and local entities to coordinate our efforts to better meet the needs of those who have served our nation in uniform.

DoD-VA Backlog

An increasingly important element of support that we give to all Service members is the careful regard shown when they transition out of the U.S. military, especially those who require care. To that end, we maintain a close collaborative relationship with our counterparts in VA through executive committees for benefits, health and information sharing.

The backlog of Service-related disability benefit claims is a major concern. DoD has refined our processes whereby we respond to VA requests for personnel and medical information required to finalize Veterans' claims. These include Service central cells and single points of contact to manage individual Service Treatment Records. Additionally, we have provided military liaison officers to assist VA with a more efficient and accurate transfer of necessary information. In fact, as of January 1, 2014, we now provide Service Treatment Records in an electronic format, and we are on track to develop interoperable electronic health records. These initiatives will help VA to focus on the current backlog and preclude future disability benefit claims from becoming a part of the backlog.

Transition Assistance Program

The Department, along with its interagency partners (VA and DOL), has made significant improvements to the content, delivery, and availability of the Transition Assistance Program (TAP). We have implemented Career Readiness Standards that Service members meet prior to separation. We launched a comprehensive new curriculum – Transition GPS (Goals Plans Success), with a robust set of core training modules (pre-separation counseling, VA benefits briefing, DOL employment workshop, including résumé preparation) and specialized optional tracks (assessing higher education track, career technical track and entrepreneurship track) tailored to a Service member's goals and interests.

Transition GPS is now also accessible virtually to all Service members and spouses even after separation. Also, in January, we completed a Memorandum of Understanding that was signed by all interagency partners to include VA, DOL, Small Business Administration, the Office of Personnel Management and the Department of Education. This MOU codifies our shared commitment to transitioning Service members and establishes formal roles and responsibilities for all partners contributing to Transition Assistance.

As part of our 2015 Agency Priority Goals, our next major step is to embed the Transition Assistance Program throughout the military lifecycle, beginning as early as accession. Rather than confining career readiness preparation to a Service member's final months of Service, this model will provide our Service members with knowledge and support to conduct proactive career planning early and often in their military careers. Implementation of the Military Lifecycle Transition Assistance Program model will be completed by the end of 2014.

The Yellow Ribbon Reintegration Program

The Yellow Ribbon Reintegration Program (YRRP) continues to evolve to meet the unique resilience and transition challenges facing the Reserve Component (RC) community. Through FY 2013, YRRP has served 1,326,758 Service members and families through 10,382 events hosted by the RCs. In response to high RC unemployment rates, as well as the accompanying unemployment compensation (UCX) costs, YRRP partnered with Employer Support of the Guard and Reserve (ESGR) to launch Hero2Hired (H2H), a comprehensive career Services program containing tools that help connect job seekers with military-friendly employers. H2H tools include a military skills translator; resume builder; military-friendly job listings; career exploration tools; and education and training resources. Since its launch, H2H has registered more than 173,878 job seekers and 21,530 employers through <https://h2h.jobs> and supported 13,068 direct hires through 56 Employment Transition Coordinators.

CONCLUSION:

During the past 13 years, the men and women who comprise the All-Volunteer Force have shown versatility, adaptability, and commitment, enduring the constant stress and strain of fighting two overlapping conflicts. And throughout it all, we were able to build, support and transition the finest military ever known. We understand that in order for us to continue on this path, we must be vigilant in our efforts and resources to ensure that we provide all the necessary recruiting, training, support and transition tools for success. The Department is committed to our Service members' success. Now we need your help in the most ready and capable force that will apply the lessons-learned from the past and prepare to address the challenges of the future.

Thank you for your continued support for our Total Force.