

**SCVAC Quarterly Meeting  
15 January 2011  
Legislative Affairs Update**

**1. State**

**CA Vet Services:**

Gov. Jerry Brown's plan to slash \$12.5 billion from California's budget could slam the door on the state's fledgling Operation Welcome Home program for troops returning from Afghanistan and Iraq, and drastically reduce the services provided by county veterans offices.

The governor's proposed budget, unveiled 10 Jan, would trim nearly \$10 million from the California Department of Veterans Affairs by eliminating general fund support specifically for the two programs. The department operates veteran's homes, and provides medical care and a variety of other services under its current annual budget of about \$420 million. About \$229 million of that money comes from the state's general fund.

It was just last June that then-California Gov. Arnold Schwarzenegger unveiled Operation Welcome Home, a statewide effort to connect the estimated 30,000 veterans who return from overseas each year with services to help them "transition from the battlefield to the home front."

*Pete Conaty*, a longtime Sacramento lobbyist whose clients include veterans groups, said cutting the two services ignores 15 years of data showing that investing in the service offices is a good deal. "The bean counters just don't get it," he said. "The point is, we are an income generator."

The groups Conaty represents will lobby the Legislature and Brown to keep the funding in place, he said. Former Oceanside City Councilman Rocky Chavez, acting director of the Department of Veterans Affairs, issued a prepared statement saying the agency could continue providing the help veterans need. The statement did not explain how that would be accomplished if the cut goes through. [Source: North County Times Mark Walker article 11 Jan 2011

**Legislation:** There are only 2 veteran-related bills introduced so far.

AB 10: Existing law allows the creation of Veterans' Councils for each Veterans' Home in the state, but the law does not allow these Veterans' Home-based councils to lobby the legislature on behalf of their individual homes, which may have needs separate from the Veterans' Home system as a whole.

AB 53: Requires California insurers to report contracts with firms owned by women, minorities and disabled veterans. While this bill currently requires only reporting, it may evolve into an effort to encourage contracts for these groups.

## **2. Federal**

### **Senator Wyden Urges Eligible Combat Vets to Enroll for VA Health Care Before Deadline**

*Washington, D.C.* -U.S. Senator Ron Wyden (D-Ore.) is encouraging eligible combat veterans to sign up for enhanced health care services before the January 27<sup>th</sup> deadline. The enhanced enrollment window gave combat veterans who separated from service before January 28, 2003, an extra three years to be grandfathered in under Veterans Affairs health care rules that have since changed.

"Since these men and women served, the VA's healthcare rules have changed in ways that could affect them," Wyden said. "It was only fair to give them the opportunity to enroll under the rules in place when they served. Now that the window for enhanced enrollment is closing, I urge all those eligible to apply."

The enhanced enrollment window was included as part of the 2008 National Defense Authorization Act. The provision gives all combat service members who separated from service before January 28, 2003 and extra three years to enroll for VA health care under the same rules in place when they served. Those rules have since changed in ways that could affect the income or asset-based restrictions of many veterans, among other things.

Veterans are able to enroll after the January deadline; however, they will not be grandfathered in under the old procedures. For veterans, this could mean being placed in a lower priority group or subjected to income requirements. Enrollment in the VA allows veterans to receive hospital care, medical services and nursing home care for illness that can be possibly related to their service in combat.

Eligible veterans have been contacted through outreach efforts but for more information and to check eligibility, veterans are urged to go to [www.va.gov/healtheligibility](http://www.va.gov/healtheligibility), call 1-877 222-VETS (8387), or visit/call their local VA facility's Enrollment Coordinator.

### **TRICARE-26 Update:**

The good news is that DoD officials hope to be able to implement the TRICARE Young Adult (TYA) program, formerly termed "TRICARE-26", sometime in late Spring. TYA will extend TRICARE coverage to children of TRICARE-eligible families until age 26.

We don't yet know what the premium cost will be for this new coverage. Unofficial reported estimates have ranged from \$1,400 to \$2,400 a year per child. Premiums will be set to cover the full cost of the coverage, based on historical claims for TRICARE-eligibles in the same age group.

This expanded coverage will be available to eligible dependents who are unmarried, who have aged out of TRICARE at age 21 (age 23 if in college full-time), and who don't have access to their own employer-sponsored coverage. The initial benefit will be in the form of TRICARE Standard/Extra health coverage on a month-to-month basis. It is anticipated that TRICARE Prime will be offered as a benefit with a separate premium later in 2011.

DoD officials said that enrollees will have the option of purchasing retroactive coverage back to January 1, 2011.

What can you do now in preparation if you plan to enroll your child(ren)? Save those health care receipts!

MOAA also has urged TRICARE officials to consider beneficiaries already enrolled in the existing (and significantly more expensive) Continuing Health Care Benefits Program as pre-enrolled in TYA, and provide retroactive premium rebates for those enrollees once TYA is implemented.

### **New TRICARE Dental Contract:**

DoD has awarded the new TRICARE Dental Program (TDP) contract to Metropolitan Life Insurance Company, Inc.

The contract provides worldwide coverage for enrolled family members of active duty personnel and to members of the Selected Reserve and Individual Ready Reserve and their eligible family members. Approximately 1.9 million beneficiaries are currently enrolled in the premium-based TDP worldwide.

Dental care under the new contract will begin Feb. 1, 2012, following a 12-month transition period.

New features of the TDP contract include:

- An increase in the annual maximum from \$1,200 to \$1,300
- An increase in the lifetime orthodontic maximum from \$1,500 to \$1,750
- Coverage of posterior resin (white) fillings

- Additional \$1,200 maximum per year for services related to accidents/injuries
- No cost shares for some periodontal services for diabetics
- Coverage of an additional cleaning for women during pregnancy
- First-year premiums below current rates

### **Government Funding Extended:**

Congress approved a continuing resolution in order to keep the federal government funded through March 4, 2011. The resolution came just in time to prevent a government lockout as funding for federal government operations would have expired on December 22.

The bill extends most agencies funding at 2010 levels, but it also includes an additional \$460 million for the VA in order to maintain claims processors and help reduce the backlog of claims.

Reducing the claims backlog has been a long-standing goal. More funding was required to keep pace with the swell of claims brought on by the three new presumptive conditions for exposure to Agent Orange approved by the VA this fall.

The resolution also includes a two years pay freeze for federal civilian employees starting on January 1. Military personnel will not be affected by the freeze, and instead will see a 1.4% pay increase in 2011.

### **Three Tiers for Medicare:**

Most Medicare beneficiaries won't see any increase in Medicare Part B premiums in 2011. This is because there was no cost-of-living adjustment (COLA) for Social Security annuitants this year.

Beneficiaries with incomes under \$85,000 (or \$170,000 for couples) and who have their Part B premiums withheld from their Social Security will have their premiums frozen at either \$96.40 or \$110.50 per month (depending on when they signed up).

For others, Medicare Part B monthly premiums will be \$115.40 in 2011 – a 4.4 percent increase over the 2010 premium.

This increased premium will affect:

- New Part B beneficiaries (because they didn't have the premium withheld from their Social Security benefit in the previous year) and,
- Beneficiaries who do not have their Part B premium withheld from their Social Security benefit

As experienced in January 2010, beneficiaries with incomes above the levels cited in the second paragraph of this article also will see higher premiums in 2011, based on the income they reported to the IRS for 2009.

At incomes above those levels, the government subsidy for Medicare is progressively reduced. For most eligibles, the subsidy is 75 percent. As income rises, the subsidy is progressively reduced – to 20 percent for those in the highest income category (see chart).

**2011 Medicare Part B Premiums:**

Individual Income	Eligible Before 2010	2010 Eligibles	New 2010 Eligibles	Gov't Subsidy
Under \$85K	\$96	\$111	\$115	75%
\$85+K - \$107K	\$162	\$162	\$162	65%
\$107+K - \$160K	\$231	\$231	\$231	50%
\$160+K - \$213K	\$300	\$300	\$300	35%
Above \$213K	\$369	\$369	\$369	20%

**DFAS and Your Tax Documents:**

The Defense Finance and Accounting Service (DFAS) announced last week the schedule for release of the end-of-year tax documents.

For retirees and annuitants who have a myPay account, their end-of-year annual statements and 1099Rs are available on the myPay website (<https://mypay.dfas.mil/mypay.aspx>).

The complete release schedule for both myPay postings and dates mailed via the U.S. Post Service is as follows:

Form/Document	Date available on myPay	Dates mailed via the U.S. Post Office
Retiree Annual Statement (RAS)	Dec. 4, 2010	Dec. 16-31. 2010
Retiree 1099R	Dec. 14, 2010	Dec. 16-31. 2010
Annuitant Account Statement (AAS)	Dec. 15, 2010	Dec. 19-31. 2010
Annuitant 1099R	Dec. 15, 2010	Dec. 19-31. 2010
VSI/SSB W-2 *	Not available via myPay	Jan. 4-5, 2011
Active Duty Air Force, Army, Navy W-2	Jan. 24, 2011	Jan. 24-29, 2011
Reserve Air Force, Army, Navy W-2	Jan. 4, 2011	Jan. 4-7, 2011
Marine Corps Active & Reserve W-2	Jan. 18, 2011	Jan. 19-20, 2011
Civilian employee W-2	Jan. 6, 2011	Jan. 7-15, 2011
Savings Deposit Program 1099INT	Jan. 21, 2011	Jan. 21-22, 2011
Vendor Pay 1099	Not available via myPay	Jan. 20-25, 2011
Vendor Pay MISC W-2	Jan. 31, 2011	Jan. 20-25, 2011
Travel PCS W-2	Jan. 31, 2011	Jan. 20-25, 2011
Army Non-Approp Fund Civ Pay W-2	Jan. 11, 2011	Not available

## **Gates Pushes TRICARE Fee Hikes:**

On January 6, Secretary of Defense Robert Gates outlined an ambitious plan of cuts and efficiencies to squeeze more than \$78 billion in savings from the defense budget over five years.

The proposal included a wide range of changes that would affect all facets of defense spending including civilian and uniformed personnel, command structures, weapons systems, intelligence, and benefits.

As he has done repeatedly in recent months, Gates told reporters that health costs are "eating the Department alive", in part because working-age retirees who have access to civilian health coverage are foregoing that coverage to use TRICARE.

Gates said the FY2012 defense budget will propose "modest" increases in fees for retirees under 65 and propose adjusting those fees every year at the rate of medical inflation.

MOAA will reserve judgment on what constitutes "modest" increases until we see the numbers. But back in 2007 and 2008, he proposed increasing fees by \$1,000 to \$2,000 per year, which we think falls well outside the accepted meaning of that term.

Gates also noted that military retirees pay significantly lower fees than federal civilians do for their health care.

MOAA believes any such comparison is bogus if it doesn't explicitly acknowledge that career military members and families pre-pay far greater premiums for their future health coverage than any civilian ever has or ever will, through decades of arduous service and sacrifice for their country.

In recognition of those extraordinary pre-paid premiums, MOAA believes the percentage growth in military health fees shouldn't exceed the percentage growth in retired pay.

Among other initiatives, the FY2012 budget will propose:

- Reducing future Army and Marine Corps active duty forces -- by 27,000 and 20,000-25,000, respectively, starting in FY2015
- Dramatic reductions in the number of DoD contractors (nearly 800 in TRICARE alone)
- Elimination/downgrade of more than 100 general officer billets and 200 senior civilians
- Cancellation of the Marine Corps expeditionary fighting vehicle
- Consolidation of intelligence and information technology programs

Final details on the budget proposals may not be known until the President formally submits the FY2012 budget to Congress on Feb. 14.

**New Bills of Interest:** House champions of the military and veterans' communities have wasted no time in reintroducing several MOAA-supported bills in the new 112th session of Congress - including a number offered by new Military Personnel Subcommittee Chairman Joe Wilson (R-SC).

- H.R. 115 (Rep. Bob Filner, D-CA) would increase the maximum age for dependent children to be covered by the CHAMPVA program.
- H.R. 178 (Rep. Wilson) would repeal the SBP/DIC offset for military survivors.
- H.R. 179 (Rep. Wilson) would restore TRICARE eligibility for Guard/Reserve members whose active service earns them early retirement (under current law, they start retired pay early, but must wait until age 60 for TRICARE coverage).
- H.R. 181 (Rep. Wilson) would authorize early Guard/Reserve retirement credit for all active service performed since 9/11/01 (under current law, only service after 1/28/08 qualifies).
- H.R. 186 (Rep. Wilson) would phase out the VA disability offset for all chapter 61 (disability) retirees, regardless of years of service.