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War Supplemental Spending Bill Signed by President

By a vote of 92-6, the long-awaited war supplemental spending bill cleared the Senate last week and was signed by President Bush this morning. The House passed their version on June 19.

The military funding section of the bill will provide \$165.4 billion to support ongoing operations related to the wars in Iraq and Afghanistan, \$99.5 billion of which will be for the remainder of fiscal 2008 and \$65.9 billion for fiscal 2009, funding operations through next June.

The bill will provide \$21.1 billion for a host of domestic programs, including \$2.7 billion for Midwest flood relief and \$5.8 billion in fiscal 2009 funds to rebuild levees destroyed by Hurricane Katrina.

The bill includes \$4.6 billion in military construction funding and \$10.1 billion over two years for the State Department, the U.S. Agency for International Development and international food aid.

The bill will also bar permanent bases in Iraq and requires the Iraqi government to match funds in the bill designated for Iraqi reconstruction on a dollar-for-dollar basis.

As expected the bill includes a major expansion of veterans' education benefits. The new GI Bill will reimburse veterans' tuition for schooling up to the highest state college cost, pay a housing allowance based on the location of the school, and provide up to \$1,000 annually for books. Under certain conditions, it would provide extra money toward attending a private university. Veterans will have up to 15 years after separation to use the benefits.

Service members who have completed six years of service and agree to serve an additional four years will be able to transfer part or all of the benefits to their spouses immediately. Once they complete 10 years' service they can transfer them to children.

The upgraded benefits apply to people who have served in uniform since Sept. 11, 2001. Some who served at least 90 days since then but subsequently separated or retired could qualify for the upgraded benefit. But no one already retired will qualify for the transferability option.

The inclusion of the new GI Bill benefit represents a major victory for AUSA and its counterparts in The Military Coalition. Many of the provisions mirror those included in AUSA's 2008 Resolutions. We are grateful that Congress listened. We are especially grateful to Sen. Jim Webb, D-Va., for his introduction of the bill and his determination to see it pass.

Congress Fails to Fix Medicare Payment Rates

There is plenty of blame to spread around after Congress failed last week to reach a simple agreement to prevent a 10.6 percent cut in Medicare payments to physicians from taking effect

tomorrow, July 1.

The House passed a fix, 355-59 that would have stopped the cuts in Medicare payments. However, the White House and Senate Republicans opposed a provision that would partially offset the cost of the bill by cutting some bonus payments to private Medicare Advantage plans in areas with teaching hospitals. They were also opposed to a provision that would limit a subset of the plans known as "private fee for service," saying the bill would "reduce access, benefits, and choices for many of the approximately 2.25 million beneficiaries who have chosen to enroll in" those plans.

Because they opposed the provisions in the House bill, Senate Republicans wanted to vote instead on a compromise worked out between the Finance Committee Chairman Max Baucus, D-Mont., and Charles Grassley, R-Iowa, the ranking member. Instead, Senate leaders tried to bring up the take-it-or-leave-it bill. Accordingly the cloture vote that would have led to passage of the bill failed, 58-40, falling short of the 60 votes required.

Senate Minority Leader Mitch McConnell, R-Ky., offered a motion to extend Medicare's current physician payment rates for 30 days to allow more time for a fix, but since the House had already left town for the recess, it was a non-starter.

Why does a cut in Medicare payments to physicians affect you?

Because payment rates in the TRICARE program are tied to Medicare rates. To control the growth in Medicare payments to physicians, a complicated programmed formula, designed to keep Medicare payments to physicians in line with a targeted Sustainable Growth Rate (SGR), will reduce Medicare/TRICARE physician payment rates 10.6 percent on July 1, and another 5 percent on January 1, 2009.

Medicare rules require an annual review and updating of physician fee schedules with the process weighing a number of medical cost factors. In order to achieve budget neutrality and stay within annual targeted SGR, physician fee schedules will either decrease if Medicare spending exceeds the targeted growth figure or increase if Medicare expenses are less than the targeted growth. In an era of rapidly rising medical costs, the annual review would have resulted in a decrease in the physician fee schedules during the last few years had Congress not taken action in its past sessions to postpone the reductions.

Finding doctors who accept TRICARE is an enormous problem for the military community - particularly for Guard and Reserve families, retirees, and survivors who live in areas with a small military population. Payment cuts will make the situation even worse.

What happens now?

The Department of Health and Human Services issued an executive order that will essentially freeze the current pricing system through July 10. Aides said that no new talks had begun, and after the Senate reconvenes July 7, it will have three days to pass a fix before the freeze is lifted.

Unfortunately, Congress has experience with this since they failed to stop a Medicare/TRICARE payment cut in 2006. They approved a fix within a few weeks and made it retroactive. While it caused many administrative headaches, the lost payments were restored. However they decide to fix this, they could have done it way before the July 1 deadline and prevented this mess.

FCS Restructure receives support from Defense Secretary and Key Congressman

The Army's announcement last week that it is speeding up delivery of valuable technologies to soldiers from the Future Combat Systems was received warmly by Defense Secretary Robert Gates and House Appropriations Defense Subcommittee Chairman Rep. John Murtha, D-Pa.

Rep. Murtha said in a statement that the restructuring convinced him "the Army is making changes that will ultimately make the FCS program more viable." He had encouraged the Army to pare down the overall FCS program and focus its efforts on spinning out technology to the current force.

"The committee will evaluate the details of these proposed changes to ensure that these technologies are both mature and integrated with the Army's reset and rehabilitation plans," Murtha said in the statement.

The reaction from House Armed Services Committee Chairman Ike Skelton, D-Mo., and Air and Land

Forces Subcommittee Chairman Neil Abercrombie, D-Hawaii was mixed. In a joint statement the two said that while they support FCS spin outs, they "are concerned that this new plan may not allow for adequate testing of the equipment due to its very tight schedule."

"The overall FCS program remains far over budget, far behind schedule, and unaffordable in the long term given the many other pressing needs facing the United States Army," they added.

Skelton and Abercrombie said they "look forward to seeing more changes to this program in the future."

Defense Secretary Robert Gates said, "I was very impressed by the briefing that I received with [the] restructured FCS program. Frankly, I think FCS as they've restructured it deserves support," he added.

Army Chief of Staff Gen. George Casey presented Gates with the service's plan to alter the timeline for its first "spin out" of FCS technology to soldiers. Infantry brigade combat teams are now slated to receive the equipment in 2011; originally, this gear would have been fielded to heavy brigade combat teams in that same time frame.

Gates was pleased with the program's restructuring "in part because it focuses on what they can do near-term to help the infantry brigade combat teams and to get new technologies into their hands," he said. Army combat units in Iraq mostly operate now as motorized infantry.

AUSA President Gen. Gordon R. Sullivan, USA, Ret., said the Army's announcement was welcome news. "Fielding the unmanned sensors and robotics to brigades fighting in Afghanistan and Iraq by 2011 instead of 2014 demonstrates how important FCS is today's Army and tomorrow's Army."

Citing the Army's recent demonstration and exhibition of systems on the National Mall and at the Pentagon in celebration of the Army's birthday, Sullivan said, "FCS has moved far beyond the concept stage, and the first spin outs from the 14 systems and network will give our soldiers the edge they need in facing the ever-changing threats they face in the continuing war on terrorism."

LTG Michael A. Vane, director of the Army Capabilities Integration Center, discussed the accelerated fielding of cutting-edge equipment in a teleconference with bloggers and online journalists June 26.

"This decision reflects the need to move more aggressively to support current operations across both our active and reserve-component capabilities with the Future Combat Systems capabilities," he said.

Commanders and soldiers in the field, as well as members of Congress and Defense Department and Army leaders have been asking for future combat technologies to be used for the current fight in Iraq and Afghanistan, Vane said.

In a briefing with defense reporters, Army officials said the program's restructuring would not increase its overall cost, which the service estimates at about \$160 billion.

Reprogramming actions, however, would be required in fiscal years 2008 and 2009 to accommodate the changes to Spin Out 1, they said. The reprogrammings will be internal, using funds from within the program -- mainly research, development, test and evaluation money, LTG Ross Thompson, military deputy to the Army acquisition executive said after the briefing.