



Approaches to Reducing Federal Spending on Military Pay and Benefits

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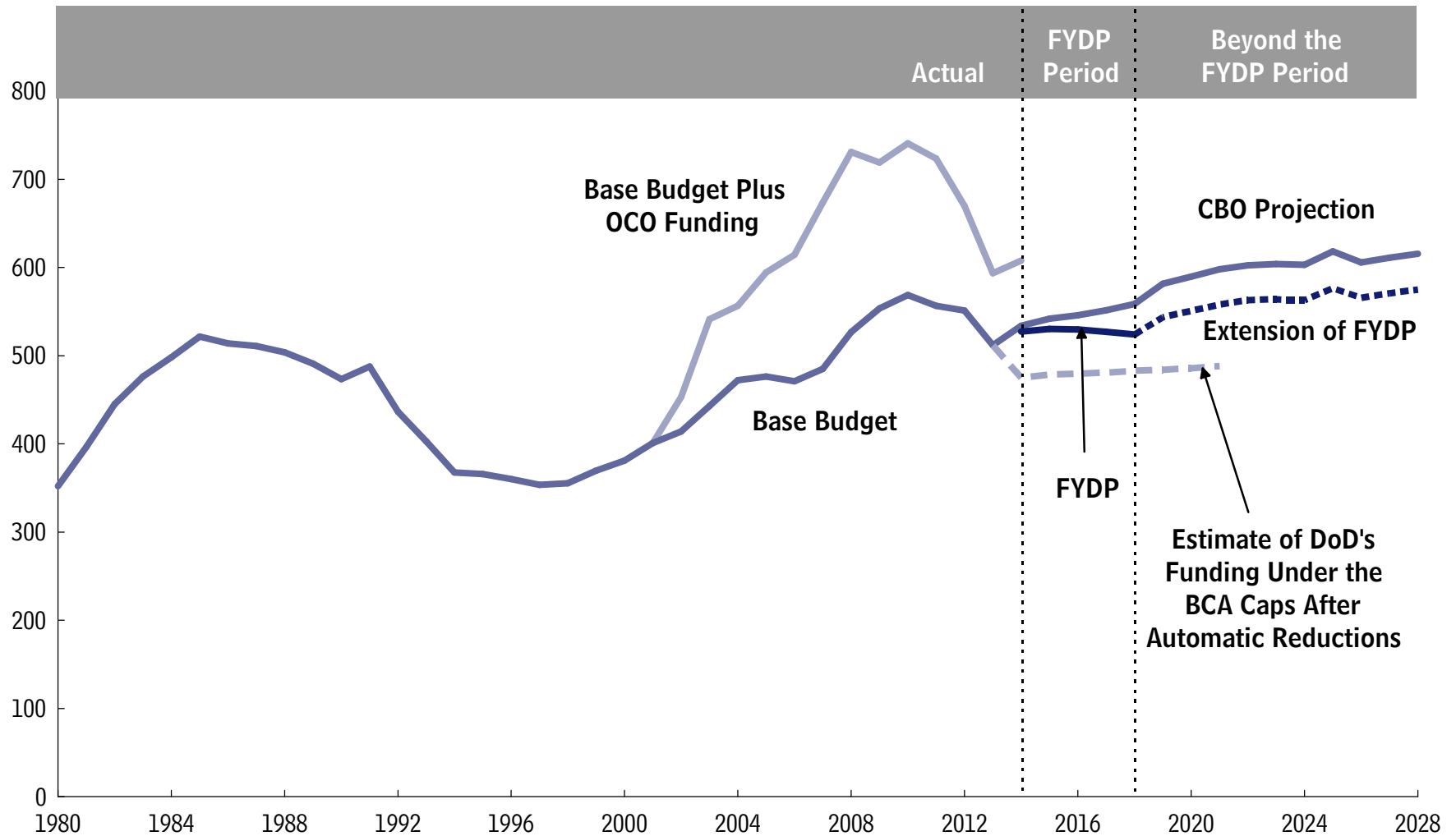
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This presentation provides information published in *Long-Term Implications of the 2014 Future Years Defense Program* (November 2013), www.cbo.gov/publication/44683; *Options for Reducing the Deficit: 2014 to 2023* (November 2013), www.cbo.gov/budget-options/2013/44687; and *Approaches to Reducing Federal Spending on Military Health Care* (January 2014), www.cbo.gov/publication/44993.

Cost of DoD's Plans Compared with Funding Caps

(Billions of 2014 dollars)



Reduce the Size of the Military to Satisfy Caps Under the Budget Control Act

(Billions of dollars)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total		
											2014-2018	2014-2023	
Change in Spending													
Budget authority	0	-28	-39	-49	-45	-66	-73	-80	-86	-86		-161	-552
Outlays	0	-18	-31	-42	-43	-57	-67	-75	-81	-83		-133	-495

Note: This option would take effect in October 2014. Amounts do not reflect changes to caps in 2015 made by the Bipartisan Budget Act. Estimates of savings are based on the fiscal year 2014 Future Years Defense Program and CBO's extension of that program.

Reduce the Size of the Military to Satisfy Caps Under the Budget Control Act

- This option would reduce the size of the military so that, by 2017, DoD's budget would comply with the cap for that year. It would not fully comply with the caps for 2014 to 2016.
- If spread evenly across the four military services and among all active, guard, and reserve personnel, those reductions could eliminate:
 - 10 Army brigade combat teams (out of 66 planned in 2017);
 - 34 major warships (out of 244 in 2017);
 - 2 Marine regiments (out of 11 in 2017);
 - 170 Air Force fighters (out of 1,100 in combat squadrons in 2017).

Options to Reduce Spending on Military Compensation

Option	Reductions in Outlays, 2014–2023
1. Cap Increases in Basic Pay for Military Service Members	\$25 billion
2. Replace Some Military Personnel With Civilian Employees	\$19 billion
3. Increase TRICARE Cost Sharing for Retirees	\$20 billion to \$71 billion
4. Eliminate Concurrent Receipt for Disabled Veterans	\$108 billion

Option 1: Cap Increases in Basic Pay for Military Service Members

(Billions of dollars)

	Total	
	2014–2018	2014–2023
Change in Spending		
Budget authority	-4.7	-24.9
Outlays	-4.6	-24.6

- *An argument for:* Average cash compensation for military personnel exceeds that of 80 percent of comparable civilians.
- *An argument against:* Recruiting and retention could be compromised.

Option 2: Replace Some Military Personnel With Civilian Employees

(Billions of dollars)

	Total	
	2014–2018	2014–2023
Change in Spending		
Budget authority	-5.0	-20.2
Outlays	-4.6	-19.4

- *An argument for:* Civilians require less job-specific training and are not subject to the frequent transfers that military personnel are.
- *An argument against:* It could reduce the number of trained military personnel able to deploy in an emergency.

Option 3a: Modify TRICARE Enrollment Fees, Deductibles and Copayments for Working-Age Military Retirees

(Billions of dollars)

	Total	
	2014–2018	2014–2023
Change in Mandatory Outlays	-0.1	-0.3
Change in Revenues	-0.4	-1.6
Change in Discretionary Spending		
Budget authority	-6.8	-21.0
Outlays	-6.1	-19.7

Option 3b: Make Working-Age Retirees Ineligible for TRICARE Prime

(Billions of dollars)

	Total	
	2014–2018	2014–2023
Change in Mandatory Outlays	0.1	0.5
Change in Revenues	-3.0	-10.5
Change in Discretionary Spending		
Budget authority	-25.5	-75.4
Outlays	-23.1	-71.0

Option 3c: Introduce Minimum Out-of-Pocket Requirements Under TRICARE for Life

(Billions of dollars)

	Total	
	2014–2018	2014–2023
Change in Mandatory Outlays		
MERHCF	-8.0	-22.0
Medicare	-2.6	-8.6
Total	-10.6	-30.7

The Pros and Cons of Changing TRICARE Fees for Retirees

Arguments For

DoD-provided care was not meant to replace health insurance offered by postservice employers.

The benefit is available only to those who served a full career; most veterans will never receive it.

Would encourage a more disciplined use of medical resources and discourage the use of low-value health care.

Arguments Against

Costs would be imposed on those who chose to remain in the military for a full career.

Some current members would be discouraged from remaining in the military.

Higher copayments could cause some people to delay treatment, and their health could suffer.

Eliminate Concurrent Receipt of Retirement Pay and Disability Compensation for Disabled Veterans

(Billions of dollars)

	Total	
	2014–2018	2014–2023
Change in Outlays	-41	-108

- *An argument for:* Under the current system, disabled veterans are being compensated twice for their service.
- *An argument against:* The DoD retirement system and the VA disability program compensate for different characteristics of military service.

Options to Reduce Spending Without Altering Military Pay and Benefits

- CBO examined six procurement options.
- Estimated reductions in outlays over ten years were comparable to (and often smaller than) savings from the options that reduced pay and benefits.
- Procurement options reduced outlays by amounts ranging from \$10 billion to \$37 billion over ten years (relative to the extended FYDP).

Example of a Procurement Option: Replace the Joint Strike Fighter Program With F-16s and F/A-18s

(Billions of dollars)

	Total	
	2014–2018	2014–2023
Change in Spending		
Budget authority	-23.3	-48.5
Outlays	-11.9	-37.1

Note: Savings are measured relative to CBO's extension of DoD's 2014 FYDP.

- *An argument for:* New F-16s and F/A-18s would be sufficiently advanced to meet anticipated threats.
- *An argument against:* F-16s and F/A-18s lack the stealth design features found on the F-35s.

Definitions

- BCA = Budget Control Act
- DoD = Department of Defense
- FYDP = Future Years Defense Program
- MERHCF = Department of Defense Medicare-Eligible Retiree Health Care Fund
- OCO = Overseas Contingency Operations