

## A September Deadline

The Fiscal 2016 defense authorization bill screeched to a halt in late July when the House and Senate Armed Services committees deadlocked over cost-saving Pentagon proposals affecting military benefits.

In a replay of negotiations a year ago, those benefits—namely Tricare prescription co-pays and the basic allowance for housing—are the single biggest obstacle to hammering out a final bill or conference report. The House passed its version of the measure in May and the Senate followed suit in June.

A handful of other divisive issues, ranging from acquisition policy to the future of the military's controversial detention facility at Guantanamo Bay, Cuba, were not formally resolved before Congress's summer break, but those tracking the closed-door negotiations have repeatedly said those disagreements would essentially fall away once there is an agreement on benefits.

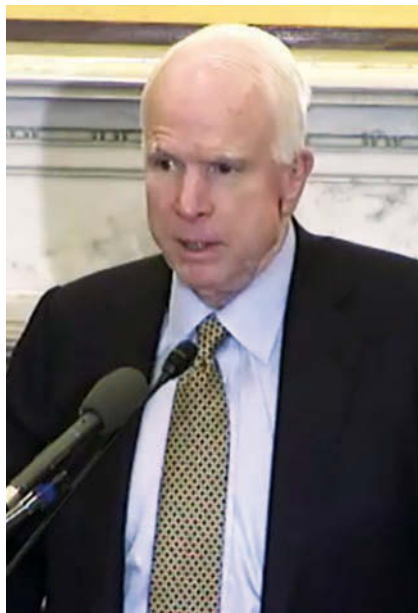
SASC Chairman Sen. John McCain (R-Ariz.) has refused to discuss the details of the bicameral talks, but he hinted at as much just before leaving Washington.

"You're always far apart until you get an agreement," McCain said broadly of the discussions, adding that he and his House counterpart, Republican Mac Thornberry of Texas, would continue their talks over the recess.

The goal, he said, is to finalize the bill in September. This would still put it in the legislative queue before an end-of-fiscal-year showdown over government spending.

But while the authorization measure does not actually allocate dollars, the spat over benefits underscores the fiscal pressures facing both the Defense Department and its benefactors on Capitol Hill. With stringent budget caps expected to go back in place in 2016, Pentagon officials and lawmakers alike must prioritize how defense dollars are allocated—and ultimately, what gets cut.

For the Pentagon, that means trimming military benefits and increasing some out-of-pocket costs for service members, military families, and retirees.



US Senate photo



Center for Strategic & International Studies photo

*The armed services committees in the Senate—led by John McCain (left)—and the House—led by Mac Thornberry (above)—are at odds on benefits, hampering the attempt to pass a 2016 defense authorization bill.*

Such proposals have traditionally been a third rail on Capitol Hill, where lawmakers have scrambled to preserve constituent-popular benefits packages for the military. But the Senate has endorsed much of the Pentagon's proposal for next year, viewing it as a modest step and a necessary move to preserve money for training troops, maintaining equipment, and sustaining the force. The total savings for the increase to the co-pays and the out-of-pocket housing costs would save \$1.4 billion next year and \$7.9 billion through 2020, according to estimates provided by the Congressional Budget Office.

The Senate bill would gradually increase the co-pays for both pharmacies and mail-order prescriptions. For generic retail drugs, for instance, the price would go from \$8 to \$14 for a one-month supply by 2025. The jump is bigger for brand-name drugs, which would grow from \$20 to \$46 over the next decade.

On the housing allowance, the Senate agreed to the Pentagon proposal for troops to pay an additional four percent out of pocket for their rent or mortgages, up from one percent today.

The House refused the proposals, however, and the Senate rejected their counteroffers—allowing for

some, but not all, of the increases—before the August recess.

While the Pentagon may have the Senate in its corner, the House's more generous approach has the support of several military service organizations. These MSOs have argued over the years that military benefits are a sacred promise to service members, retirees, and their families and a vital component to maintaining the all-volunteer force.

After much haggling, the two chambers will ultimately reach an agreement on the differences in the benefits, as they did last year. And if McCain and Thornberry have their way, the compromise will come sooner rather than later.

But the fact that these issues have now been the last resolved for the past two years signals that the battle over benefits is not yet over, especially if budget caps remain in place.

The Fiscal 2016 authorization bill is likely just the second of many legislative chapters on the cost of these benefits, an issue that will almost certainly arise again once the Pentagon submits its 2017 budget proposal to Capitol Hill early next year. 🗳️

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