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Building a F.A.S.T. Force: A Flexible Personnel System for a Modern Military

Recommendations from the Task Force
on Defense Personnel

March 2017



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DISCLAIMER

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Table of Contents

5	Letter From the Co-Chairs
7	Prologue
9	Executive Summary
18	Introduction
20	A Personnel System Trapped in the Past
28	One-Size-No-Longer-Fits-All: The Need for Reform
32	The New Global Security Environment
39	The Rising Costs of the Current Force
43	The Growing Civilian-Military Divide
47	If Policymakers Do Nothing
48	Recommendations: A F.A.S.T. Force
48	A Fully Engaged American Society
58	Adaptable to New Threats as They Arise
65	Sustainable for Long-Term Military Success
78	Technically Proficient
81	Conclusion: Comprehensive Recommendations to Prepare the Force for Future Threats
83	Appendix: Health and Health Care
93	Endnotes

Letter from the Co-Chairs

The foundation of U.S. military power is the quality and morale of the men and women who have chosen to serve the nation—in and out of uniform—especially over more than 15 years of heightened risks and frequent deployments in what remains a challenging global security environment.

The nation and its leaders must not take this strength for granted. We fear that, even as the United States wields the greatest force the world has known, it lacks the capability to attract, utilize, and keep the unconventional, technical, and cutting-edge talents and skills that will be needed to meet the rapidly evolving and unpredictable national security challenges ahead. More than ever, the U.S. military must fully engage the entirety of American society, not only to expand the military's access to talent, but to also reconnect the nation to its military. The highly capable men and women needed for an all-professional force will always have compelling out-of-uniform career opportunities; the United States must ensure that national service remains a compelling calling and creates a sustainable lifestyle for individuals and families.

We have observed these challenges up close as senior military and defense-civilian leaders and as advocates for military families. While the military personnel system has many strengths, we have all seen cases where it serves as a barrier to readiness and performance. Further, as American society has changed substantially since the post-World War II era—in which the modern military personnel system was shaped—the adverse impacts on military families are increasing. While in our experience service members and military families are more than willing to make sacrifices to achieve the mission, many of the negative impacts these members and families endure are unnecessary for national security needs. Instead, the problems the military faces today with recruitment and retention are a consequence of legacy policies that need updating in ways that many modern organizations and allied militaries have successfully achieved.

To examine these challenges, we agreed to lead a Task Force on Defense Personnel that encompasses a wide range of expertise and experience. Convened by the Bipartisan Policy Center, the task force includes: former elected and appointed officials with congressional, White House, Pentagon, and other cabinet-level agency experience; former service members (enlisted, officers, active, and reserve); and members with private-sector experience in business, medicine, higher education, nonprofits, and as advocates for service members and their families. The task force met three times over the previous year, and members contributed substantial additional time to develop analyses and proposals. We greatly appreciate their commitment and continued service to the nation.

This report presents the task force's assessment of the nation's imperative to improve defense personnel systems to better meet unpredictable, future national security needs, with specific recommendations for the consideration of policymakers. We commend lawmakers and Pentagon officials for seriously engaging in these issues and making substantial progress on modernizing and improving retirement and health care systems for uniformed personnel. Given these initial advances along with a new administration and Congress, we believe the time is right for a broader reexamination of the military personnel system in light of the nation's changing national security needs.

Finally, we urge Congress to repeal the Budget Control Act caps that for the past five years have taken an axe to defense spending and inhibited the Defense Department's ability to strategically plan for the future.

Our goal is to present a series of recommendations that will provide a fully engaged, adaptable, sustainable, and technically proficient force for the future. We recognize the difficulties involved in implementing these reforms, but we believe that these changes are necessary, and stand ready to help in any way possible to make them a reality.

Sincerely,



Leon Panetta



Jim Talent



Jim Jones



Kathy Roth-Douquet

Prologue

If, as the Constitution affirms, providing for the common defense of the Republic is among the paramount duties of government, then ensuring the existence of a force adequate to this task must number among the fundamental responsibilities with which the public entrusts its elected representatives. The nation's first president, in his first address to the first Congress, emphasized this duty: "The proper establishment of the troops," he declared, "may be deemed indispensable." But, George Washington also elucidated another obligation that flows from the constitutional responsibility of common defense: "A free people ought not only to be armed but . . . a uniform and well-digested plan is requisite." Both tasks are critical; both have been neglected; neither can be shirked.

We have undertaken below to discharge thoughtfully the first of these duties, examining whether the establishment of American troops today—who serves, how their talents are employed, and how they are supported—is commensurate to the challenges the nation will confront tomorrow.

We recognize that the need for unity is particularly acute when proposing major changes to the nature of military service—as such changes affect national security, touch upon the lives and careers of millions of Americans, and require a shift from both a ponderous bureaucracy and a long-established and battle-proven culture. Thus, our diverse task force—composed of Republicans and Democrats, elected and appointed officials, civil and military officials, officers and enlisted service members and their families—has, over the course of a year, investigated, spoken with troops and their loved ones, and deliberated and debated in pursuit of a common view about how to manage those who serve and protect the nation. We offer the below recommendations because we believe they are as necessary to securing the nation's future as they are capable of commanding durable support.

But if consensus is needed to render the changes we propose effective and enduring, vocal and honest leadership is needed to make them feasible. A military needs a plan. And, in a democracy, that plan must be presented to the public and debated; in short, it must be "well digested." A shared strategic vision allows the United States to speak with maximum authority, but such unity must be created by American leaders who can rally the nation to a common purpose, in defense of common aims against common enemies. In the absence of strong American leadership, when "our government has not spoken out—to our own people or to our allies," as Senator Arthur Vandenberg lamented on the floor of the Senate as World War II, and its popular support, ended but a new threat arose:

“ Too often a grave melancholy settles upon some sectors of our people. It cannot be denied that citizens, in increasing numbers, are crying: “What are we fighting for?” It cannot be denied that our silence—at least our public and official silence—has multiplied confusion at home and abroad. It cannot be denied that this confusion threatens our unity. ... [A] new rule of honest candor in Washington—as a substitute for mystifying silence or for classical generalities—honest candor on the high plane of great ideals—is the greatest contribution we can make to the realities of unity. ”

Whether responding to a crisis or pivoting to face a new enemy, the United States has most successfully navigated the major inflection points in its history when leaders have made clear what the nation was fighting for. President Franklin Roosevelt's famous address to Congress following the attack on Pearl Harbor rallied the nation to prepare for war in order, "not only [to] defend ourselves to the uttermost, but [to] make it very certain that this form of treachery shall never again endanger us." At the dawn of the Cold War, President Harry Truman felt compelled to describe to the nation the Soviet threat lurking behind the Iron Curtain in a 1947 address that defined four decades of U.S. strategy. More recently, in the wake of the September 11, 2001, terrorist attacks, President George W. Bush gave a speech to Congress announcing a persistent "war on terror."

Such leadership and candor, however, is just as important in peacetime as it is in war. And, unfortunately, as much as it has been on brilliant display at critical moments in U.S. history, it has also been remarkably absent at calmer times. Along with the constitutional duties of common defense and military oversight, the nation's leaders are entrusted with obligations of constant vigilance and utmost candor with all Americans. This is particularly crucial for the United States, which relies on volunteers to fill the ranks of the military. Today, all too often, the U.S. military operates outside of the everyday consciousness of the vast majority of Americans. The various missions they perform are unknown, and more importantly, the overarching strategy that unites those missions is left unsaid.

This task force believes that, unless Americans are educated about their military and provided opportunities to understand the strategy for its employment, it will become increasingly difficult to motivate sufficient numbers of Americans to volunteer to serve. Without a draft, the military depends solely on the support and enthusiasm of the general public to meet its recruiting and retention needs. Time and again, as popular support wanes, the military struggles to attract the talent needed to achieve its mission. As 9/11 fades from recent memory, the generation motivated to serve by those terrible events will begin leaving the military. Similarly, a citizenry increasingly divorced from the experience of military service will lack the critical knowledge necessary for meaningful debates about the need to fund a robust defense or exercise force in pursuit of legitimate national security goals.

It is past time for America's national leaders to plainly and without reservation present a coherent plan for how the nation will use and resource its military; for a powerful argument for why military service remains not just the highest expression of patriotism but, for many, a gateway to a better life; and a compelling vision of what the country will fight for and how being prepared to fight, in Washington's words, "is one of the most effectual means of preserving peace." American leadership must make a new case to the citizenry about U.S. national interests in the 21st century and the necessary and rightful role of the military in achieving them.

This report offers our best counsel and ideas to help strengthen the military by making service attractive to more Americans. However, the most important and effective action that we can recommend to the nation's leaders is to educate the American people on the fundamental goals of U.S. national security policy and the unique role of the military in advancing those goals.

Executive Summary



The success of the U.S. military, a professional force with a global mission, depends on its ability to harness the dynamism of American society to meet evolving strategic threats head-on. As the United States confronts an increasingly challenging security environment and as Americans' expectations and lifestyles change, the nation cannot afford to manage its military using policies designed for a bygone era. Yet, that is exactly what is happening. It is long past time for lawmakers and Pentagon leaders to fundamentally reform the personnel systems that manage America's uniformed service members and the civil servants who support them. The "one-size-fits-all" force that won the Cold War needs to be updated to one that fully engages all of American society, adapts to new threats, is sustainable over the long term, and is technically proficient.

One-Size-Fits-All: A Personnel System Trapped in the Past

The Defense Department's personnel system—the combination of statute, regulation, culture, and tradition that determines how uniformed service members and civilians alike are recruited, trained, retained, promoted, assigned, and compensated—is a holdover from the Cold War, reflecting the national security priorities and American society of that time. Back then, the Soviet Union was the lone major threat to the United States. Needing to scale back the massive force assembled to win World War II, preparing for conventional set-piece battles along the Iron Curtain, and working within a societal framework in which single-earner, male-breadwinner families were the norm, defense leaders created the "one-size-fits-all" system that is still in place today.

Designed to ensure the force would remain “young and vigorous” enough to meet the physical demands of battle but also retain a large number of midgrade officers and NCOs prepared to command units in case of another major war, the one-size-fits-all system brings young people into the military in their teens and 20s, puts them into a rigid command-and-promotion structure, requires frequent changes of station and assignment, and removes all but the most-senior-ranking officers by their early 40s.

It worked. The post-World War II defense personnel system built the best fighting force the world has ever seen. It won the Cold War and helped bring freedom, prosperity, and relief to millions of people around the globe. But many things have changed since the last meaningful effort was made to reform the system. And a personnel system designed to win the Cold War no longer suffices. It has not adapted to changes in the global security environment, it has led to the unsustainable growth of personnel costs, and it has not kept pace with changes in American society.

One-Size-No-Longer-Fits-All: The Need for Reform

Five years ago, then-Defense Secretary Robert Gates used part of his farewell address at West Point to critique the Pentagon’s personnel policies and practices, which he said was the “greatest challenge facing your Army, and frankly, my main worry,” adding:

*“ How can the Army break-up the institutional concrete, its bureaucratic rigidity in its assignments and promotion processes, in order to retain, challenge, and inspire its best, brightest, and most battle-tested young officers to lead the service in the future? After the major Afghan troop deployments end in 2014, how do we keep you and those five or ten years older than you in our Army? ”*¹

Defense personnel systems are complex, with many attributes that are customized to the particular needs of an organization that is expected to fight and win wars when called upon. It is also impossible to design a personnel system for today’s military from scratch. And while the military is unique, in many respects, the Pentagon still has similar functions and needs of any large organization: the need to attract and retain large numbers of people to a variety of professions (whether soldiers in uniform or civilians in business attire), place them in positions in which they will best contribute to the organization’s needs, evaluate their performances, select some for promotions, and part ways with those whose services are no longer needed. Problems exist when these systems—by design or accident, policy or practice—fail to meet these needs in an efficient way. This is unfortunately the case today, as the current system is typically poorly coordinated, lacks accountability, is unable to quickly obtain specialized talent, and fosters a groupthink mentality within the force. Now is the time for fundamental reform.

New Global Security Environment

While core U.S. national security interests have largely remained constant in the quarter-century since the end of the Cold War, the threats arrayed against those interests are spreading geographically, transforming strategically, and evolving technologically. Once viewed as archaic, the threat of great-power conflict—with the resurgence of Russia and rise of China—is suddenly relevant again. Add to that the more-diffuse threats from malicious non-state actors, who have mastered the techniques of

unconventional warfare while metastasizing across much of the world. Rogue nations have made tremendous technological advances that allow them to erode much of the traditional military superiority long enjoyed by U.S. forces.

Worse, all of these trends are coalescing to create a gray zone of conflict, in which adversaries seek to erode the existing international order—not through military victory but through a prolonged wearing down of both established norms and the willingness of responsible actors to uphold them. In such conflicts of attrition and ambiguity, nation states deploy proxies, non-state actors field sophisticated weaponry, and new domains like cyberspace allow weaker powers to exploit unforeseen vulnerabilities.

In this new normal, a military that is only designed to wage conventional war against great powers will not be enough. The United States must become capable of winning against more-opaque adversaries as well. Success against future enemies on new battlefields will require not only physical strength and vigor but, increasingly, mental agility, technical experience, and rapid innovation.

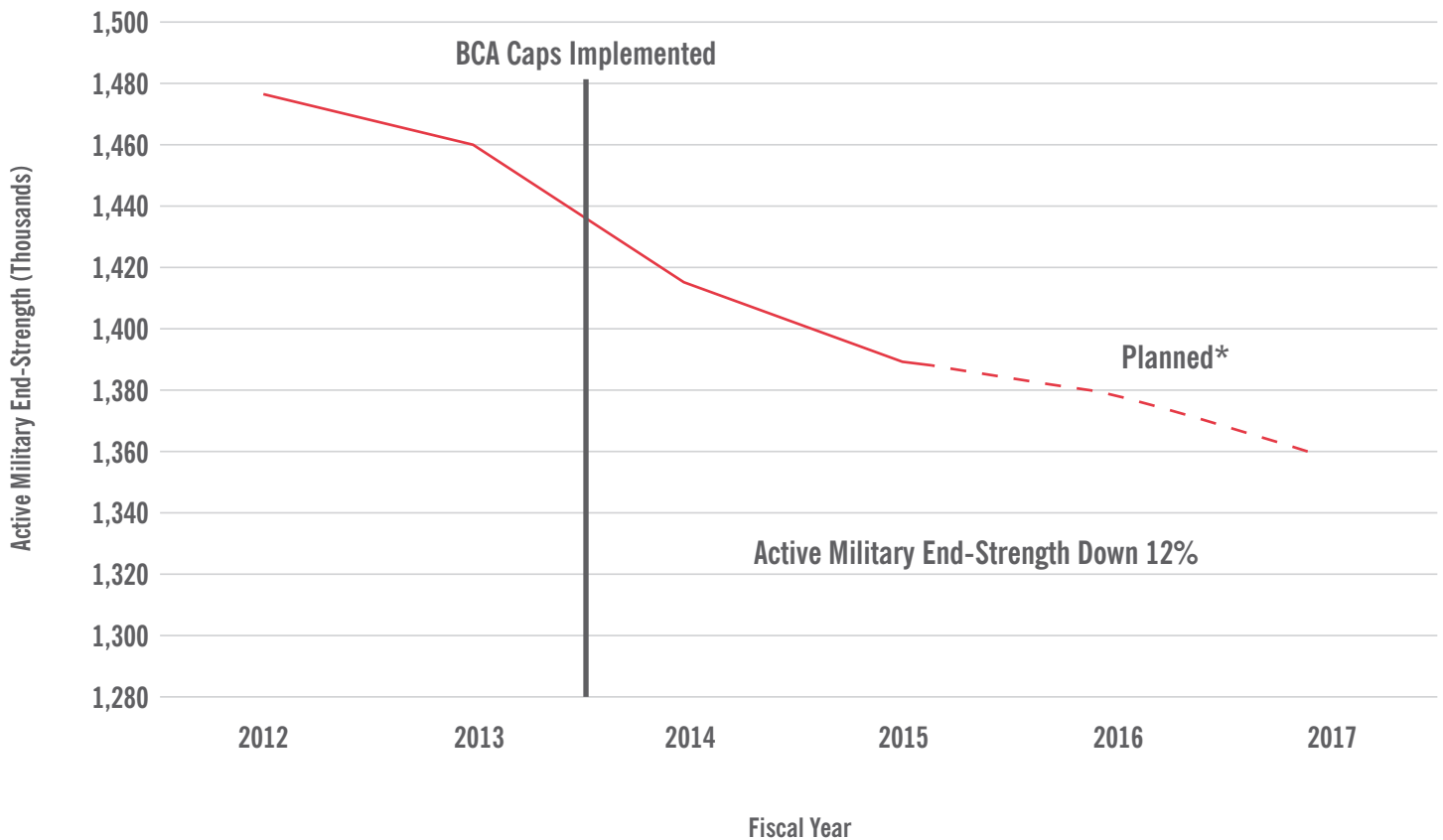
Rising Personnel Costs

The nature of the all-volunteer, professional military requires that service members be better compensated than they were during the days of the draft. This is especially true for the highly skilled, well-educated personnel who fill the ranks of the U.S. military. However, over the past several decades, service-member personnel costs have rapidly grown. In just the last 15 years, the average cost of an active-duty service member has increased, in real terms, by over 50 percent. This trend is unsustainable; unless controlled, personnel costs will confront the nation with a choice between an insignificant force and a significant debt.

Rising personnel costs have been mostly driven by increases in cash compensation and the cost of health care benefits. But the military's reliance on compensation as its sole tool to incentivize recruiting and retention is a result of a personnel system too inflexible to provide service members with incentives that might be just as, or more, valuable to them, but less costly to taxpayers.

This problem is further aggravated by the Budget Control Act of 2011, which imposed arbitrary spending caps on annually appropriated programs—of which defense is the largest component. The limited budget and rigid personnel system, imposed even while the tempo of military operations abroad remains high, have forced the military into a vicious cycle: With limited funds, the military had to reduce its end strength; with fewer troops available, each service member carries a heavier burden; as the difficulties of service grow, more incentives are needed to retain service members; as options for meaningful incentives are sparse, bonus pay becomes more common; as more money is spent on compensation, less is available to grow the force. Today, most defense leaders would admit that the size of the force has shrunk below safe levels (see Figure 1). The military, in terms of people, is too small to successfully execute the increasing number of missions it is asked to conduct. The task force does not mean to suggest in this report that a better personnel system is a substitute for the end-strength increases that the joint chiefs of staff have requested.

Figure 1: Active Military Personnel Cuts Since 2012



Source: Bipartisan Policy Center. *The Military Compensation Conundrum*. September 2016. *as of FY16 budget request. Available at: <http://bipartisanpolicy.org/library/defense-military-compensation>.

This cycle must be stopped, and it can only be stopped by simultaneously addressing both drivers—a defense budget inadequate to the strategic threats facing the military, and a personnel system ill-equipped to provide meaningful options to today’s service members. While sizing the defense budget to meet the strategic needs of the nation’s security is a necessary first step, it would do little to bend the cost curve of military personnel. That’s why increased budgetary flexibility must be linked to efforts to revamp the personnel system to increase the efficiency and effectiveness of the force.

Growing Civilian-Military Divide

The task force fully recognizes that the unique culture of the U.S. military is essential to its success, and the current personnel system contains many elements that are important to sustaining that culture. The Defense Department is not a private company or nonprofit organization; it can and must demand that its service members make sacrifices that are foreign to the civilian world. In fact, the ethic of sacrifice is part of what attracts so many outstanding people to service in uniform.

But the task force also believes that, to recruit and retain the talents needed to address emerging threats, service must be attractive to and inclusive of Americans throughout today’s society. This demands fundamental changes to some aspects of military life. Because a more-inclusive and dynamic labor force has emerged in the United States over the last seven decades, defense personnel policies should reflect fundamental socioeconomic changes. For example, many of today’s military

spouses—who are both male and female—want, expect, and, in order to sustain their own life satisfaction, need to be able to pursue a career. The biggest obstacle to military spouse employment is the need to move every two to three years. Perhaps the military requirement of frequent relocations is of lower value to the Defense Department than retaining valuable service members by allowing them to remain in one place. Additional factors like the rising rates of obesity, changes in education, and the demographics of the military itself further illustrate the need to rethink how the military approaches personnel policy.

The potential to achieve fundamental military and defense-civil-service personnel reform is great. The global security environment, domestic political concerns, and service members and their families all demand it. Many service members and their families have lived with the challenges posed by the current personnel system because they understand the importance of their mission. However, a great many otherwise qualified Americans have either left the military, or shied away from joining, because they believe the military either would not present them opportunities to exercise their talents or that it would impose an undue burden on their personal or family life. To ensure the future strength of U.S. military forces, policymakers must make bold and innovative changes to defense personnel systems, unconstrained by tradition or custom, to overcome these obstacles.

The biggest mistake—indeed, the worst outcome for the Defense Department—would be to do nothing. Elected officials and Pentagon leadership should take meaningful action to advance personnel reform by the end of 2017. Through bipartisan cooperation and leadership from public officials, the United States can ensure that its longstanding military advantage can endure well into the 21st century.

A F.A.S.T. Force for the Future: Recommendations

While military and defense-civilian personnel systems serve many purposes and must meet varied goals, a handful of key outcomes are especially relevant in the increasingly complex national security environment. To ensure the nation's continued national security and military advantage, future Defense Department personnel policy should be designed with the goal of building a force that is:

- **Fully engaged by American society.** The United States is fortunate to have an abundance of talent and experience across its diverse population. The personnel system must serve as a bridge—not a barrier—to accessing this talent, especially hard-to-find or in-demand capabilities. The military must be able to consistently acquire top talent, whether experienced or entry-level, and to retain that talent amid a competitive employment marketplace, even if those individuals do not wish to progress toward command.
- **Adaptable to new threats as they arise.** Because future national security needs are uncertain, personnel policy must be able to accommodate changing requirements. Rather than waiting years to train new troops, commanders should be given the tools to quickly find and use the capabilities they need to achieve their missions: more of one skillset, less of another, or entirely different capabilities, such as mastery of new technologies or familiarity with certain languages or cultures. Recently, the perennial answer to unexpected military needs has been to use special operations forces—which is not an optimal long-term solution. The increasingly complex and unpredictable national security environment will require the rest of the force to also develop the capacity and adaptability to confront nontraditional missions.
- **Sustainable, both financially and culturally, for long-term success.** In an era of financial constraints, the necessary personnel capabilities must be maintained efficiently, while simultaneously ensuring that service members and defense civilians are competitively compensated. Just as important, personnel systems must also be supportive of the personal lives of service members. If the conditions of military life force service members to choose between their family's well-being and a military career, the family will win and the military will lose access to a critical segment of the talent pool. Lastly, Congress must revisit and change the Budget Control Act caps that have inhibited intelligent strategic decisions on defense program growth and priorities.
- **Technically proficient.** The skillsets required by the military will only become more technical as the national security environment becomes more complex. Whether developing new capabilities to confront the increasingly difficult challenge of defending the frontiers of space and cyberspace, applying new technologies and greater individual decision-making to existing military roles, building language skills and cultural knowledge, or maintaining expert-level trauma-care capabilities, these challenges are fundamentally personnel issues. A personnel system that cannot consistently build and retain these types of capabilities has failed, with profound implications for military readiness and national security.

To achieve these desired outcomes, this report presents a comprehensive package of 39 bipartisan proposals to improve the effectiveness of military personnel policy. Taken together, the recommendations contained in this report aim to prepare the military to confront the threats of the future while also keeping promises made to today's service members and meeting the needs of military families. A Fully engaged, Adaptable, Sustainable, and Technically proficient (F.A.S.T.) military will ensure the future force is as strong as the one the United States has fielded for the last 70 years.

Fully Engage American Society

- F-1: Make it easier for military spouses to find and sustain a career, especially when relocating.**
- F-2: Create an online database to automate and increase service-member influence over future military assignments.**
- F-3: Enhance and expand the Selective Service System to include all young American adults.**
- F-4: Require Selective Service registrants to complete the military vocational aptitude test.**
- F-5: Expand the Reserve Officer Training Corps program to all levels of higher education, including postgraduate and community-college students.**
- F-6: Improve and synergize online military recruiting efforts by creating a cross-service common application and expanding web-based recruiting tools.**
- F-7: Improve access to and quality of Defense Department-provided child-care services.**
- F-8: Create on-base child-care coordinators to advocate for military families in the local community and to build private-public child-care partnerships.**
- F-9: Provide proactive institutional career guidance to service members before they complete their initial service obligation to increase retention.**
- F-10: Conduct exit interviews to evaluate the quality and rationale of separating service members.**
- F-11: Align, where relevant and possible, military training with civilian professional licensing and certification requirements.**

Create an Adaptable Force

- A-1: Replace predetermined, time-dependent promotions with a fully merit-based military-promotion model.**
- A-2: Revamp military manpower assumptions to allow for flexible career timelines and adaptable personnel policy.**
- A-3: Create a continuum of service by making it easier to repeatedly transition between active, guard, and reserve components.**
- A-4: Expand lateral-entry authority to allow midcareer civilians to enter the military at higher ranks.**
- A-5: Create a separate and unique personnel system for all Defense Department civilian employees.**
- A-6: Establish pay bands for all defense-civilian employees.**
- A-7: Create rapid-recruiting organizations and processes within each service to expedite processing of nonstandard military recruits.**

A-8: Establish specialized recruiting offices focused on attracting individuals with critical skills.

A-9: Establish better enterprise management of the military health care system to improve access to high-quality, modern, and efficiently delivered health care services.

A Sustainable Personnel Structure

S-1: Replace Budget Control Act defense budget caps with a strategy-based budget that is regularly reviewed and updated.

S-2: Replace the military pay table to ensure compensation is commensurate to increased responsibility and performance.

S-3: Integrate personnel policy into the new National Defense Strategy.

S-4: Direct that the next Quadrennial Review of Military Compensation evaluate the current military compensation system and adjust it to deliver optimal strategic outcomes.

S-5: Institute annual involuntary separation boards to remove low performers in over-manned specialties.

S-6: Increase TRICARE enrollment fees for military retirees to cover 20 percent of the cost of coverage beginning in 2038 so that current service members are grandfathered in.

S-7: Offer a new TRICARE option for dependents of service members to leverage employer contributions and reduce TRICARE costs.

S-8: Implement evidence-based programs and policies that promote healthful behaviors among service members, encompassing physical, nutritional, and mental health.

S-9: Enhance the new, annual TRICARE enrollment process by implementing automatic reenrollment and by gathering data on alternative health-coverage eligibility.

S-10: Improve the quality of post-deployment reintegration by applying lessons learned from U.S. Special Operations Command's Preservation of the Force and Family program.

S-11: Establish pilot programs to test use of commercially insured health plans to offer health benefits to reserve-component service members and their families, military retirees and their dependents, and the dependents of active-duty service members.

S-12: Collect and publish data, by service and base, on the number and percentage of service members who leave service due to health-related issues, and use data to target interventions.

Build Technical Proficiency

T-1: Replace “up-or-out” promotion processes with a “perform-to-stay” system.

T-2: Expand the use of warrant officer positions and create a technical, non-command career track for officers and enlisted personnel.

T-3: Reform veterans preference policies to ensure the most-qualified applicants are given opportunities for employment in critical Defense Department job vacancies.

T-4: Speed up and better utilize the Highly Qualified Expert program to source civilian subject-matter expertise in critical areas.

T-5: Increase educational opportunities for Defense Department civil servants.

T-6: Centralize personnel-management authority for health care personnel under the Defense Health Agency.

T-7: Improve civilian-military permeability for health care providers through more-effective utilization of the reserve component to better meet staffing needs.

Introduction



The American people are the indispensable component of a strong U.S. military. Their ingenuity, integrity, selflessness, and strength have been the continuing hallmarks of the armed forces since the birth of the nation. Even as the tools of warfare have changed and battlefields evolved, the courage and commitment of the American people has not wavered. Nor should the commitment of the military waver in its efforts to recruit, train, and retain a ready force to keep up with emerging threats.

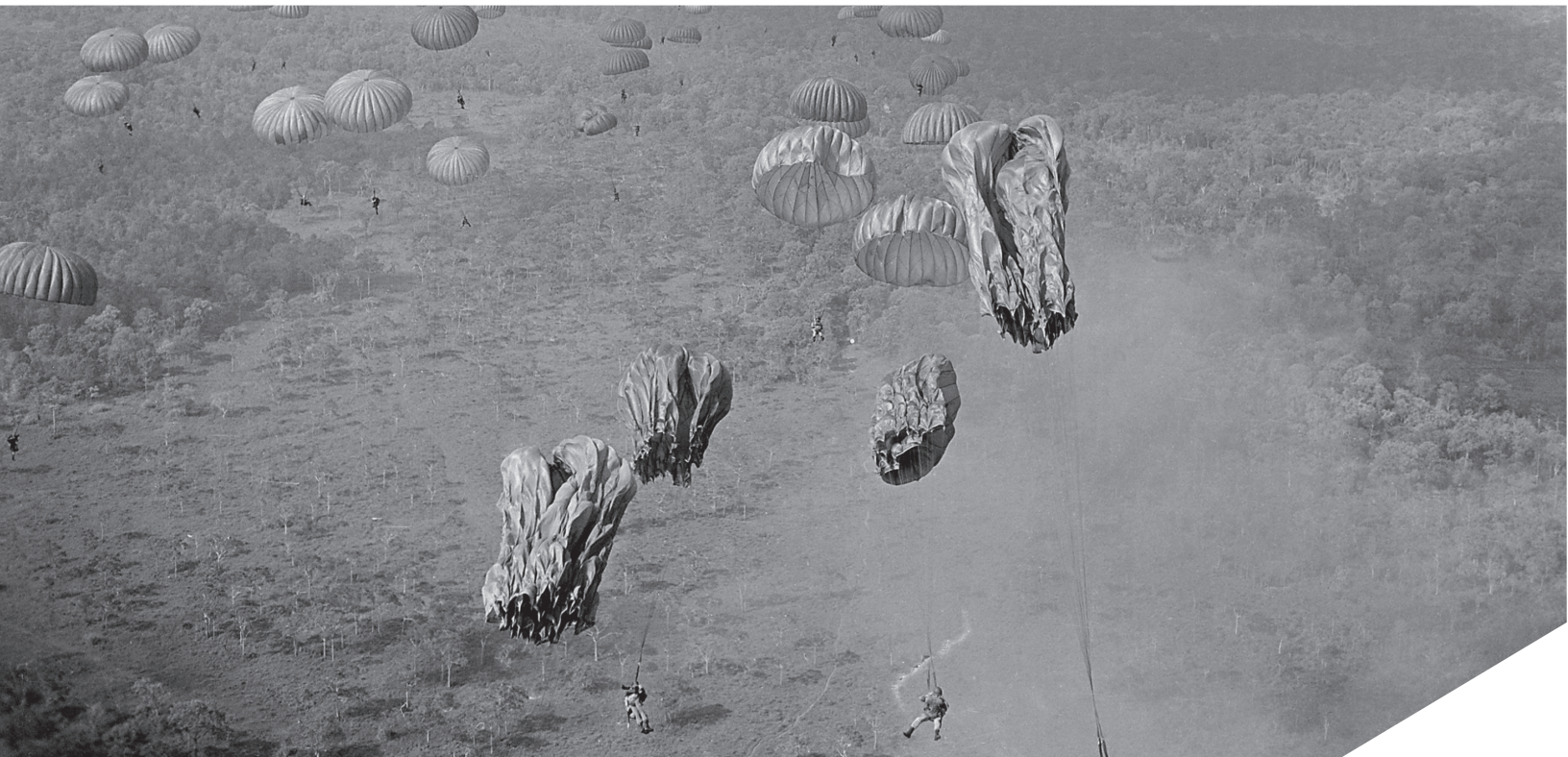
Two chief characteristics define the U.S. armed forces: a truly global mission and an exclusive reliance, since 1973, on recruited volunteers to fill its ranks. The country's professional, global, volunteer military is, without question, the strongest force in the world today. Maintaining that position requires the force to be responsive to both the challenges of the world stage and the dynamics of American society. A global force that lacks the capacity and capability to

deal with current and evolving geopolitical threats will fail in its mission to defend the nation and its interests. A volunteer force whose mission is neither supported nor understood by its citizens will fail institutionally.

Building a force that is both strategically effective and grounded in the social fabric of the nation is the role of defense personnel policy. Encompassing both uniformed military and defense-civilian employees, Defense Department personnel policy is a complex combination of statute, culture, and tradition. It impacts all decisions related to recruiting, retention, promotions, assignments, training, and compensation. Ultimately, when combined with the unique calling of the military's mission, personnel policy helps attract Americans to voluntarily serve their country and protect U.S. national security. Ensuring these policies are effective must be one of the highest priorities for lawmakers and defense leaders.

This task force believes there is growing misalignment between current defense personnel policies and both the threats facing the nation and changes to American society. As new challenges emerge and the lifestyles of the nation evolve, Defense Department personnel policy must adapt. Comprehensive reforms are needed now to begin rebuilding the connection between the nation's overarching defense strategy and military personnel policies. The nation's future security depends on it.

A Personnel System Trapped in the Past



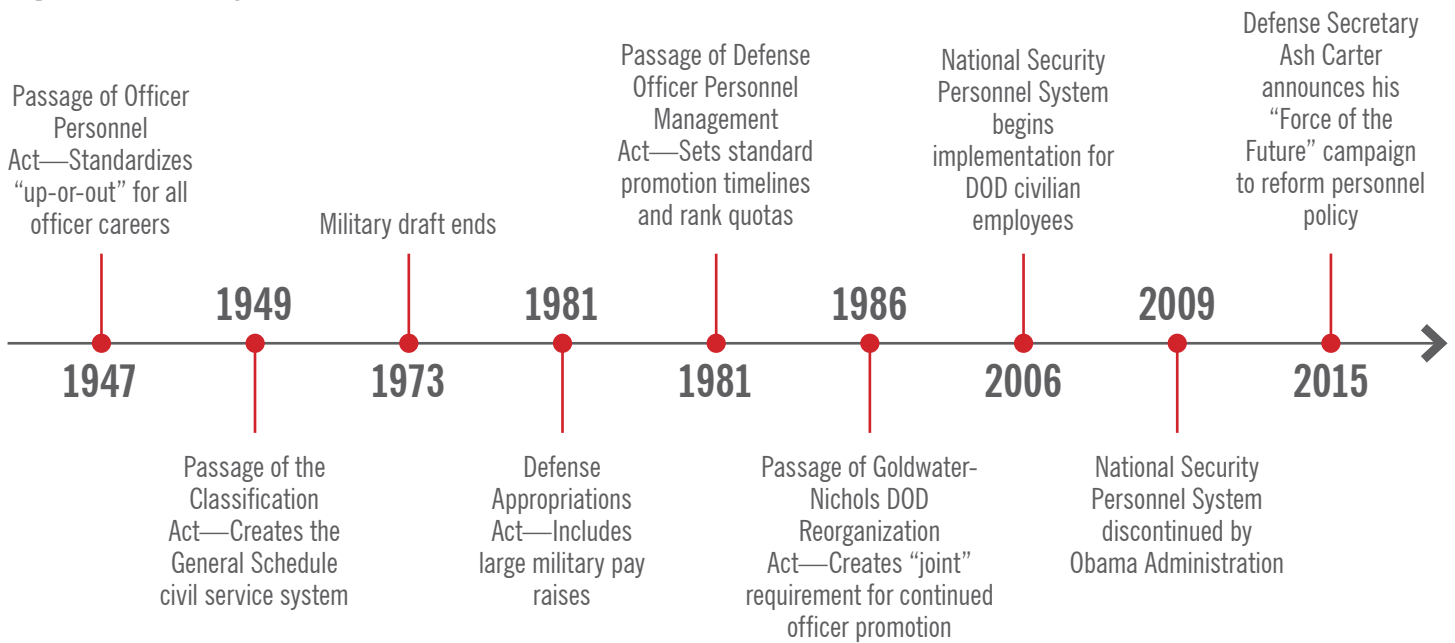
National security needs must drive defense personnel policy to build a military well positioned to advance the nation's interests. When properly designed, personnel policy is an essential tool for building military capability and achieving national security objectives. Since the threats facing the nation are continuously evolving, the way the military recruits, retains, and manages its people should continuously evolve as well. When personnel policy does not adjust to meet current national security needs, it can quickly become wasteful and inefficient, degrading the military's capability. This is precisely the challenge facing the military today.

Today's Up-or-Out, One-Size-Fits-All Force: A Relic of the Cold War

During the early days of the Cold War, in the wake of a U.S. victory in World War II, political and military leaders recognized the need to maintain a substantial, globally deployable force, largely to confront the growing threat posed

by the Soviet Union. They correctly recognized that the nation could not sustain, nor would it need, the massive force constructed during the war. At its peak in 1945, over 12.2 million Americans were serving on active duty and the defense budget accounted for more than 80 percent of all federal spending.^{2,3} This level of national effort can only be summoned for a short period of time to face an imminent, existential threat to the nation. The Soviet Union, while dangerous, did not represent such a threat. Therefore, to effectively respond to the Soviet challenge, a massive effort to design and construct a new defense establishment began, and personnel needs were a primary consideration.

Figure 2: A History of Personnel Reform



Source: Bipartisan Policy Center. *Defense Personnel Systems: The Hidden Threat to a High-Performance Force*. February 2017. Available at: <http://bipartisanpolicy.org/library/defense-personnel-systems>.

Defense leaders envisioned a military that, while necessarily smaller, would be quickly scalable in the event of a head-on conflict. Moreover, since the primary threat envisioned by military planners of this era was the possibility of hostilities against the Soviet Union, the conflict they envisioned was one of major set-piece battles waged on European battlefields. This required retaining a larger number of midgrade officers who would be prepared to command units in case of another large war. Policymakers believed that enlisted and junior-officer personnel could be quickly trained for war, but more-experienced commanders needed extra time to prepare and could not therefore be swiftly recruited during a crisis. Consequently, the military maintained a much higher percentage of officers than it had previously. In 1945, the military had a ratio of approximately 1.3 field-grade officers for every 100 enlisted personnel. Five years later, the ratio stood at four to 100.⁴

Additionally, since the fighting of the 1940s was physically demanding, requiring both strength and stamina, the U.S.

military would be a perpetually “young and vigorous” force. In 1949, during congressional hearings on military compensation, members of the Advisory Commission on Service Pay stated: “One can hardly disagree that the services must be kept alert and vigorous if they are to perform successfully in critical times. They can scarcely be kept alert and vigorous and provide the kind of leadership to win wars unless service personnel are compelled to retire from active service before they are too old.” And “because of the nature of military service, the mass of personnel must, of necessity, be relatively young people.”⁵

To conduct oversight of a larger standing military, lawmakers established greater uniformity throughout the military in general and the personnel system in particular. For example, policymakers created a single Defense Department (then known as the National Military Establishment) in 1947 to replace the War and Navy Department. They also implemented the Uniform Code of Military Justice in 1951. Personnel policy followed suit when Congress debated and passed the Officer

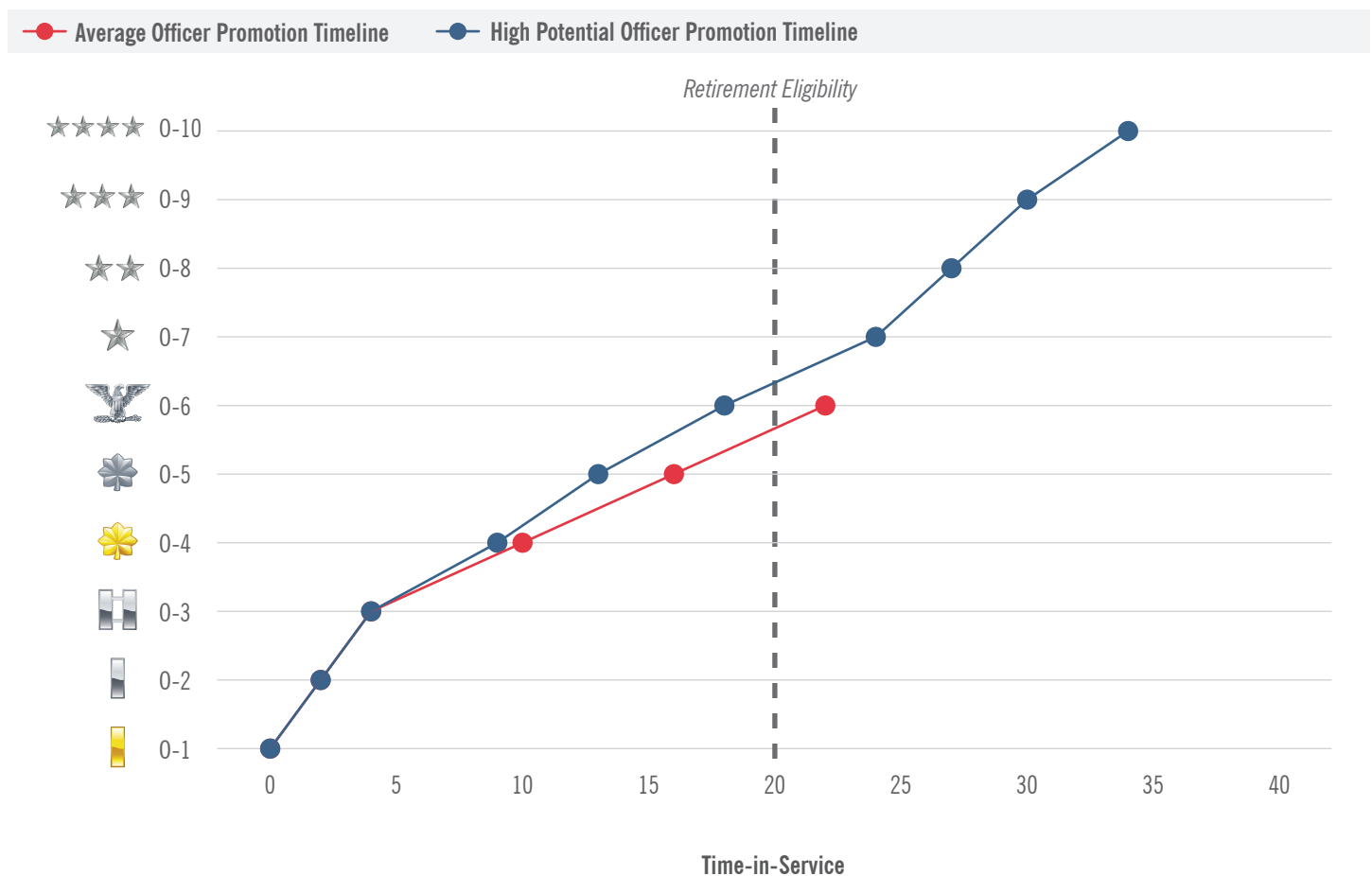
Personnel Act in 1947, which standardized personnel management throughout the military.⁶ Previously, the Army and Navy determined their own personnel-management systems. The Navy largely relied on an up-or-out promotion system—meaning that a service member’s time at each rank is strictly limited, and service members who are not promoted to the next rank after a predetermined length of time are separated—while the Army operated a seniority-based system in which service members with the longest tenures could remain in assignments indefinitely, limiting opportunities for newer officers.

Policy-makers created a scalable, young, uniform military by instituting an up-or-out, one-size-fits-all personnel system.

The Cold War personnel system was built on a uniform set of policies that brought young people into the military in their teens and 20s, put them into a rigid command-and-promotion structure, and removed all but the most senior-ranking service members by their early 40s.

Up-or-out is the term used to describe the promotion system used for most military personnel. Standardized across the Defense Department by the Officer Personnel Act of 1947, up-or-out means that military personnel must continue to promote or else be separated from military service (see Figure 3). Up-or-out ensures regular turnover in each position so that all officers gain the necessary skills and experience required to advance. Then-Army Chief of Staff General Dwight Eisenhower

Figure 3: The Up-or-Out Officer Promotion Path



Source: Bipartisan Policy Center. *Defense Personnel Systems: The Hidden Threat to a High-Performance Force*. February 2017. 8. Available at: <http://bipartisanpolicy.org/library/defense-personnel-systems>.

supported the up-or-out system, saying that senior commanders “had to be replaced and gotten out of the way and younger men had to come along and take over the job.”⁷⁷ While the law mandates up-or-out for the officer corps, the system is also used for enlisted personnel as a matter of Defense Department policy. Current law establishes a standardized career plan for all officers with mandatory retirement for non-general officers after 30 years of service and a voluntary retirement option following 20 years of service.

The one-size-fits-all system is a result of up-or-out promotion policies combined with a military culture that values command and joint experience as a necessity for further career advancement. Since nearly all officers are

required to promote according to predetermined timelines as outlined in the Defense Officer Personnel Management Act, the majority of officers follow similar career paths designed to make them most competitive in the eyes of military promotion boards. Additional rules, like the Goldwater-Nichols Department of Defense Reorganization Act, require officers to serve in a joint assignment to be promoted to general or flag officer. The impact of these additional requirements mean that the vast majority of officers, regardless of their suitability for or interest in higher rank, have nearly identical careers. This dynamic is why critics characterize the one-size-fits-all system as “grooming all officers to be chief of staff.”⁷⁸

1980s Reforms: The Defense Officer Personnel Management Act and Goldwater-Nichols

The transition to a professional force was not entirely smooth for the Pentagon. Problems emerged, particularly in recruiting, as the military was forced to compete with the private sector for all of its manpower needs. In 1979, Robert Pirie, former assistant secretary of defense for manpower, reserve affairs, and logistics, testified to Congress that: “The Services had difficulty meeting recruiting goals during [FY] 1978. . . . [A]s a group they met only 90 percent of their enlistment objectives. . . . [W]e do not yet know whether our recent experience represents merely an isolated deviation from our strong recruitment experiences or whether it signals the beginning of a disturbing trend.”⁷⁹

To halt the trend and place military recruiting on firmer footing, Congress eventually passed significant additional pay increases as part of the Defense Appropriation Act of 1981. While this and subsequent pay raises would make military service more attractive to new recruits, Congress did little to update the foundation of personnel management

within the military, which also affects the appeal of service. Furthermore, these early pay increases started a trend—which continues to this day—where the only solution for military recruiting and retention problems is ever-larger pay increases and recruitment/retention bonuses. As personnel costs continue to rise, defense leaders have been forced to shrink the size of the military in order to afford more-generous compensation packages.

In 1981, after several years of negotiations, the Defense Officer Personnel Management Act (DOPMA) was enacted. This was the most significant update to officer-personnel systems since the end of World War II. The new law established service-specific constraints on the number of field-grade (O-4 to O-6) officers, standardized promotion timing, and it continued the up-or-out system. While DOPMA is a wide-ranging law, RAND Corporation analysts categorized it as “an evolutionary document, extending the existing paradigm (grade controls, promotion opportunity and

timing objectives, up-or-out, and consistency across the services) that was established after World War II.”¹⁰ Yet DOPMA did not fundamentally change how the military recruits and retains its people.

Later in the 1980s, another major Pentagon-reform bill, known as the Goldwater-Nichols Department of Defense Reorganization Act, was signed into law. The 1986 legislation represented the most sweeping changes to department organization and management since 1947. Policymakers wanted to make the military services work better as a *joint* force. Military parochialism was seen as a contributing factor to military failures like the botched hostage-rescue operation in Iran and the lack of success in Vietnam. To facilitate the joint force, Goldwater-Nichols conditioned promotions to general or flag rank on service in a designated joint assignment as a field-grade officer. This provision promoted inter-service experience among the military’s most senior leaders.

However, the major reforms ushered in by Goldwater-Nichols were not matched by commensurate reforms to the personnel system. Goldwater-Nichols amplified one-size-fits-all by creating a more-uniform process for promotion to the highest ranks. In the one-size-fits-all, up-or-out personnel

system, this means that nearly all officers, regardless of their suitability for or interest in higher rank, must serve in joint assignments.¹¹ Additionally, since all service members are eligible for full retirement after 20 years of service, the joint requirement must be fulfilled relatively early in an officer’s career. Dr. Bernhard Rostker, former undersecretary of defense for personnel and readiness, testified to Congress that Goldwater-Nichols “added between four and five years of additional must-have assignments to an already full career” and “came at the cost of having less-experienced uniformed managers of the services.”¹²

Without question, the 1980s-era reforms had many positive impacts. The volunteer military is now competitively compensated, which is a precondition to recruit and retain high-quality personnel. DOPMA facilitates a “youthful, vigorous” officer corps, while Goldwater-Nichols ensures those officers are comfortable working as part of the joint force. However, over 30 years have passed since these major initiatives, and as the nature of conflict continues to evolve, it is crucial that the personnel system adjust to meet current and future needs.

For all military personnel, the law requires service members to join the military by the age of 42. In practice, the vast majority of both officer and enlisted personnel join by their early 20s. Upon entering the military, nearly everyone starts in the lowest officer or enlisted ranks. After 20 years of service, those who have been regularly promoted at predetermined timelines have the option to retire in their late 30s or early 40s. Only those few officers who reach the most-senior ranks will serve for longer than 30 years.^a

Only a small number of service members remain in the military for a “full” 20-year career—a relatively short timeframe compared with other complex organizations that rely on high-skilled individuals. Consequently, the military needs to train and equip large numbers of personnel every year at a significant cost. Conversely, because the military is limited in its ability to recruit midcareer professionals, it must anticipate its future personnel needs long in advance. For example, if the Army decides that it needs a lieutenant colonel

^a For a detailed analysis of the various Defense Department personnel systems, please read BPC’s *Defense Personnel Systems: The Hidden Threat to a High-Performance Force*. Available at: <http://bipartisanpolicy.org/library/defense-personnel-systems/>.

with cyber experience, it currently takes 15 years to develop that level of expertise. Both the up-or-out nature of the 20-year career and the limited ability for the military to quickly meet manpower needs create inefficiencies, resulting in high costs. As RAND economist Richard Cooper testified to Congress, the only way to truly control costs for the professional military is to change the up-or-out promotion system to selectively reduce personnel turnover and to change accession requirements.¹³

Ending the Draft: Massive Change for the Country, Minimal Impact to the Military

Over the years, the military personnel system has been updated to reflect new laws and the political environment. Most of these updates have been evolutionary in nature, leaving the foundation of the up-or-out, one-size-fits-all system intact. Even ending the military draft, despite its importance to the nation, did little to change how the military promotes and manages its personnel.

Following an unpopular war in Vietnam, fought using an even-more unpopular draft, the American people demanded a change to the way the military met its manpower needs. As part of his 1968 campaign, Richard Nixon promised to end the draft. To fulfill this promise, in 1969, President Nixon chartered the Advisory Commission on an All-Volunteer Force and appointed former Defense Secretary Thomas Gates as its chairman. In its final report, the Gates Commission provided a wide-ranging series of recommendations to institute an all-volunteer force, grounded mostly on economic free-market labor principles.¹⁴ Based on these recommendations, in 1973, Nixon formally ended conscription and began the transition to a professional, volunteer military.

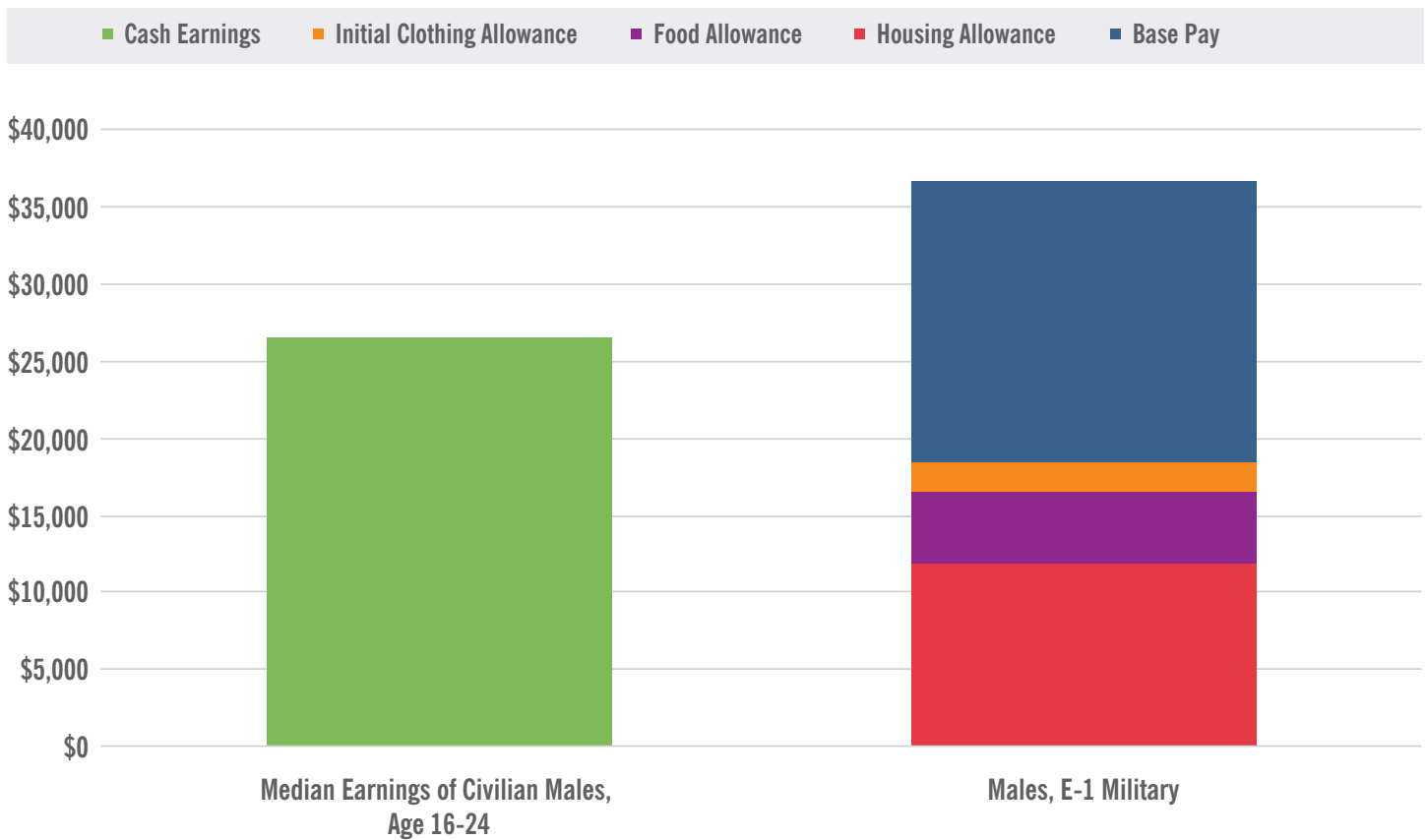
While the professionalization of the military was a major change for the country, the end of conscription was not accompanied by substantial changes to military personnel

management. Since the draft was used primarily to fill the lowest enlisted ranks for short periods of time, there was very little need to modify relocation, promotion, or career-management policies. Most draftees had no opportunity for promotion or relocation from one assignment to another. Career-management policies like up-or-out and one-size-fits-all were designed for those service members who progressed beyond their initial enlistment or service commitment.

The end of conscription, however, required significant changes to personnel policies for enlisted service members, mostly related to compensation and utilization. To make the military more attractive to prospective recruits, the Gates Commission recommended substantial pay increases across the board. The commission recommended a 50 percent increase in basic pay for newly enlisted service members, along with a 28 percent increase for officers. Ultimately, Congress agreed to and approved substantial pay raises for the military over the next decade. Also included were new bonuses for hard-to-fill specialties like submarine duty. Since military talent became more expensive, many nonmilitary responsibilities, like custodial work, were either contracted out to private companies or filled by new government civilian employees.

The Gates Commission made numerous other personnel-system recommendations that were largely ignored by policymakers. For enlisted service members, the commission recommended more-flexible enlistment terms and expanded choice of military occupational specialty. For both officers and enlisted, the commission recommended examining the possibility of expanding lateral (midcareer) entry for military jobs that had a direct civilian comparison.¹⁵ Because many of these other nonmonetary recommendations were not implemented, the military has been forced to rely more heavily on monetary incentives to meet its recruiting and retention needs. This increases the overall cost of the force without necessarily delivering a more-effective military.

Figure 4: Cash Compensation, Military Compared to Private Sector



Source: Bipartisan Policy Center. *The Military Compensation Conundrum*. September 2016. Available at: <http://bipartisanpolicy.org/library/defense-military-compensation>.

Civilian Personnel Systems Are Overly Burdensome for a Quickly Evolving Force

If the military personnel system errs on the side of instability and frequent turnover, the civilian personnel system has the opposite problem. Civilian employees may remain in their positions almost indefinitely—typically regardless of their level of performance. Where the military has a one-size-fits-all system, defense civilians are managed under more than 60 different personnel systems.¹⁶ About 770,000 civilian personnel are employed by the Defense Department, which means the Pentagon employs more civilians than the uniformed active-duty populations of the Air Force and Navy combined.¹⁷ Civil servants who support the uniformed military

are a crucial part of the total force needed to win future fights, and, therefore, the systems that manage them must be effective and efficient.

Roughly two-thirds of defense-civilian employees are managed under the General Schedule (GS) civil-service personnel system. Like the military personnel system, the GS system dates to the postwar period with the passage of the Classification Act of 1949. Back then, 70 percent of white-collar civilian positions performed clerical work.¹⁸ Contrast that with today, where many defense civilians work in highly technical professions like cybersecurity, acquisition program management, financial management, science, and engineering. The GS system features a rigid pay schedule based on time in a certain position. The system was designed

to prohibit political patronage and favoritism, and to ensure fair and equitable pay for employees of the various federal agencies regardless of location.

The GS system limits advancement opportunities and restricts many merit-based pay raises. Employees who wish to advance in grade (e.g., a GS-12 employee who wants to promote to GS-13) typically must compete for the position against other outside applicants. Additionally, the structure of the system results in pay raises being awarded mostly based on longevity rather than performance.

Another issue with the civilian personnel system is the lack of flexibility to hire and fire employees in a timely manner. Since the system's primary rationale is fairness and impartiality, it is exceedingly difficult to remove low performers. Similarly, the hiring of defense-civilian employees can take several months due to the various checks, filters, and reviews that must accompany applications. Unlike most private-sector employers, hiring managers in the federal government are not allowed to review applicant résumés until late in the process; instead, automated systems and human-resources personnel handle these reviews. These processes are designed to ensure that various preferences and diversity requirements are met and to promote fair hiring practices. These procedures are well intentioned, but the result is a lengthy hiring process.

Trapped in the Past

The Defense Department continues to rely on the up-or-out, one-size-fits-all, military personnel system developed to fight the Cold War. And while those personnel systems have successfully created a remarkably skilled, high-end fighting force, many aspects of this system now jeopardize the U.S. military's future capabilities. These include prematurely discharging experienced and uniquely qualified personnel, inflexibility in the face of rapidly emerging threats, and unrestrained cost growth. As the threats continue to change, and American society evolves, the tools of the past can no longer be relied upon to construct the military of the future. While the legacy system should be lauded for all it accomplished—winning the Cold War and promoting peace around the world for 70 years—it must be reformed now to assure the nation's interests going forward.

One-Size-No-Longer-Fits-All: The Need for Reform



Personnel reform has been resisted because of a false perception that it is unnecessary—that the military has access to all the people it needs. Indeed, critics of Pentagon personnel reform have said that many reform proposals are “solutions in search of a problem.”¹⁹ However well-intentioned these critics may be, they rely on a logic not applied to other military capabilities—lawmakers and Pentagon leaders do not wait for U.S. fighter jets to become obsolete before beginning to design their replacements. While recognizing the value and strengths of the legacy personnel system, it can and must be improved without breaking a military that is still exceedingly capable.

Three key dynamics form the rationale for defense personnel-system reform:

- new and unique demands on the military due to the changing global security environment;

- unaffordable growth and expanded scope of personnel costs; and
- dramatic changes in American society and its connection to the military.

Importantly, the up-or-out, post-World War II personnel system is not a failure. Indeed, this system created the force that won the Cold War and protected the nation for 70 years. The system achieved precisely the outcomes it was designed to achieve. Today, however, the nation faces new threats, and the personnel system needs to help build a military that must achieve different outcomes than its predecessor.

Fundamentally, reform is needed simply because the systems in place today cannot deliver the force needed for the future. The following are some of the key respects in which these personnel systems fall short.

Defense personnel management is typically poorly coordinated and lacking in accountability.

In an organization as large as the Defense Department, with four services, five broad categories of personnel (active, reserve, guard, civilian, and contractors), and worldwide operations, some complexity and decentralization are unavoidable. But that doesn't excuse practices that don't contribute to the success of the organization. Examples abound:

- The U.S. Army has separate recruiters for each component—active, reserve, and guard—competing with each other for the same applicants, rather than working together to find the best fit for each recruit within the overall needs of the Army. The same holds true for the four different services, which compete against each other for talent.
- The military services have very limited methods to identify which service members have particular skills or abilities (other than those within a military occupational specialty), such as speaking a foreign language or possessing a high-value skill like computer coding.
- No one is responsible for ensuring that the military, as a whole, has sufficient medical personnel who are ready to deliver trauma care services, a critical capability when the military is engaged in battle.²⁰
- Uncoordinated personnel systems, dispersal of responsibility, and limited information about personnel especially detracts from the Pentagon's ability to preserve key capabilities during a drawdown or reduction-in-force, whether due to operational changes or budget instability.

Greater coordination, better information, and more responsibility invested in those who have the authority to fix problems could substantially improve the performance of existing personnel resources.

When unexpected needs arise, defense personnel systems make it difficult or impossible to quickly obtain specialized talent.

As the national security environment becomes more complex and unpredictable, the chances of an unexpected conflict will rise. This increases the likelihood of a situation developing for which the Pentagon does not have sufficient personnel with the requisite useful skills and experiences, such as technical knowledge, language skills, and cultural experience. The military excels at attracting talent that leaders know they will need a decade in advance, but a system built on recruiting 18- to 24-year-olds and developing them over many years is poorly suited to urgent, unexpected demands for human talent. Mid- or late-career entry into the uniformed services is generally prohibited except for certain occupations—attorneys, health care professionals, and chaplains. Even former active-duty service members who remain in the reserve force are rarely eligible to return to active-duty billets (although they can be called up in their reserve capacities).

Nonstandard career paths are discouraged by the promotion system, fostering groupthink.

Tasked by Pentagon leadership to offer their perspectives on efforts to reform the military personnel system, a group of junior officers might have said it best:

“ The current mindset places value on a uniform set of experiences and thought. The inability to pursue niche expertise or a broadening opportunity in a different field means that senior decision makers have spent 30-40 years surrounded by people who look, think, and act like they do. Military training provides tried and tested methods for old problems, but new problems likely require new ideas. Diversity of education and experience helps ensure leaders and thinkers have the skills needed to win future conflicts in an increasingly complex world.”²¹ ”

Officers who do not “check certain boxes” are ineligible for promotion, making certain professional detours—such as earning advanced degrees, or private-sector fellowships—high-risk career decisions. Further, certain skills and abilities—such as fluency in a certain language—aren’t encouraged by the promotion system.²² Task force member, and former commander of U.S. Special Operations Command, Adm. (ret.) Eric Olson has pointed out that the great British Army officer T.E. Lawrence—who earned everlasting fame as “Lawrence of Arabia” from his ability to befriend and embed with Arab fighters to defeat the Turks in decisive World War I battles—probably wouldn’t get past today’s U.S. military promotion system, nor would a modern-day “Lawrence of

Afghanistan” or “Lawrence of Pakistan.”²³ As U.S. forces increasingly advise and partner with other militaries and engage in irregular missions, promotion pathways that discourage less-conventional experience seem increasingly unwise and inappropriate.

The placement system fails to match service members to billets that maximize their contributions to the national security mission.

The assignment system for service members oddly resembles a centrally planned economy. Most commanders have a very limited role in selecting the individuals who will serve underneath them, and service members have very limited input—usually a ranking of their location preferences—into their next assignment. Placement decisions are made based on limited information: the billet, the service member’s military personnel record, performance evaluations, and location preferences. Personality, interpersonal skills, personal interests and ambitions, capabilities and experiences that are not reflected in the official record, and personal situations that might influence success in a particular billet or even retention in the military are not considered. While the needs of the military should trump individual preferences, it seems unlikely that an inflexible, centrally planned system—operating with limited information about its human resources—would be capable of anything close to optimal personnel assignments.

How Do Service Members Get Reassigned?

Military assignment matching is still largely a centrally managed bureaucracy that only delivers an ideal assignment match by chance. While service members may be able to provide input into their future job assignments and locations, this input is limited, and personal preferences are rarely accommodated. Additionally, commanders have a limited ability to influence who will work for them. The needs of the military should be the priority for assignment matching, but a better system could make assignments that align military and individual service-member needs.

According to Defense Department guidance: “The primary considerations in reassigning a service member will be the service member’s current qualifications and the ability to fill a valid requirement. Other criteria, such as availability, volunteer status, and time-on-station, will be secondary.”²⁴ In practice, most service members will relocate to a new duty station every two to three years. The reasoning behind such frequent relocations is partially to impart the necessary qualifications and experiences mandated by the up-or-out promotion system. In order to develop the experiences required to be competitive for continued promotion, service members must relocate frequently. These relocations are mostly assigned by administrators by hand, in a centrally managed process that occurs a few times each year.

To manage this process, each service operates a massive personnel bureaucracy. For the Army, the organization is called Human Resources Command, located in Fort Knox,

Kentucky. In 2011, over 4,000 employees worked at Human Resources Command. Economist Tim Kane, a former Air Force officer, describes the process of matching thousands of officers to available assignments:

“ The staffers working assignments at [Human Resources Command] face an impossible task, because they are balancing multiple objectives. Needs of the army come first. Career planning is second. Addressing officer preferences and hardship considerations, filling unique slots, and predicting future trends in manpower all must be factored into every slating. And to keep things simple and under control, no trading of assignments is allowed.”²⁵ ”

This process is not only inefficient—requiring thousands of personnel who could otherwise be filling combat units—but it also delivers unsatisfactory results. In a survey of 250 West Point graduates that Kane conducted, he reported, “Only 28 percent of respondents gave the job-assignment system a letter grade of A or B, with twice as many respondents giving it a D or an F.”²⁶

While progress has been made, civilian personnel systems are inflexible, slow, and uncompetitive with private-sector practices.

The civilian hiring process has been subject to widespread criticism for many years. While applicants for private-sector jobs typically submit a cover letter and résumé, a convoluted and arcane federal-government hiring process can seem inscrutable to applicants. The news is not all bad; the Defense Department has improved average time-to-hire from 116 days in Fiscal Year 2010 to 83 days in Fiscal Year 2015.²⁷ However, civilian personnel processes significantly curb the discretion of managers in hiring, promotion, and removal of employees. A well-intentioned veterans-preference policy has reduced the diversity of background and experience in the civilian employee pool. Younger workers—even those old enough to have earned undergraduate and graduate degrees—are underrepresented within the department. For example, 16 percent of defense civilian employees are between the ages of 25 and 34, compared with 22 percent of employed Americans.^{28,29} And only one-third of defense-civilian employees are women, compared with nearly half of civilian employees in cabinet-level agencies other than the Defense Department.³⁰ In combination, these challenges have dramatically increased the department's reliance upon contractors. Use of contractors, which are typically more expensive than civilian employees, should be based on the needs of the mission or task at hand, not a fix for a flawed and inflexible civilian-employment model.

The New Global Security Environment

National security concerns and the ability for the U.S. military to succeed in the future global security environment should be the primary factors for policymakers to consider when assessing the need for personnel reform. Without question, when today's military and civil-service personnel systems were created, the United States faced very different threats than the

nation faces today. In the wake of World War II, the Soviet Union loomed as perhaps the only danger confronting the nation. Those were simpler times.

The post-Cold War era brought with it a new calculus for defense planning. Instead of focusing the military on one overarching threat, U.S. forces would now be shaped to fight two major regional conflicts at the same time. The major regional conflict doctrine originated with the "Base Force" of the George H.W. Bush Administration, and endorsed in former Defense Secretary Les Aspin's "bottom-up review," a 1993 effort to comprehensively review the nation's "defense strategy, force structure, modernization, infrastructure, and foundations."³¹ Hostile powers like North Korea or Iran are the classic adversary in a major regional conflict. While regional competitors continue to be a focus today, these actors frequently operate below the threshold of eliciting a typical U.S. military response. Their tactics have changed, which means the United States must once again revise its strategy to continue advancing the nation's interest while adapting to the new security environment.

Enduring U.S. National Security Interests

Defense is one aspect of U.S. foreign policy that looks to advance the nation's interests around the world. In reforming defense policy, personnel included, policymakers must first consider the impact on enduring U.S. national security interests. Regardless of evolving threats, the key national security interests should remain constant. Defense policy helps to build a force capable of protecting the nation's interests regardless of the circumstance. As it relates to personnel, reforms to policy must advance the military's ability to achieve key U.S. interests within the context of the global security environment. Today and into the future, U.S. forces must be capable of ensuring the following enduring interests:

- prevent state and non-state actors from committing catastrophic and disruptive attacks on the U.S. homeland;

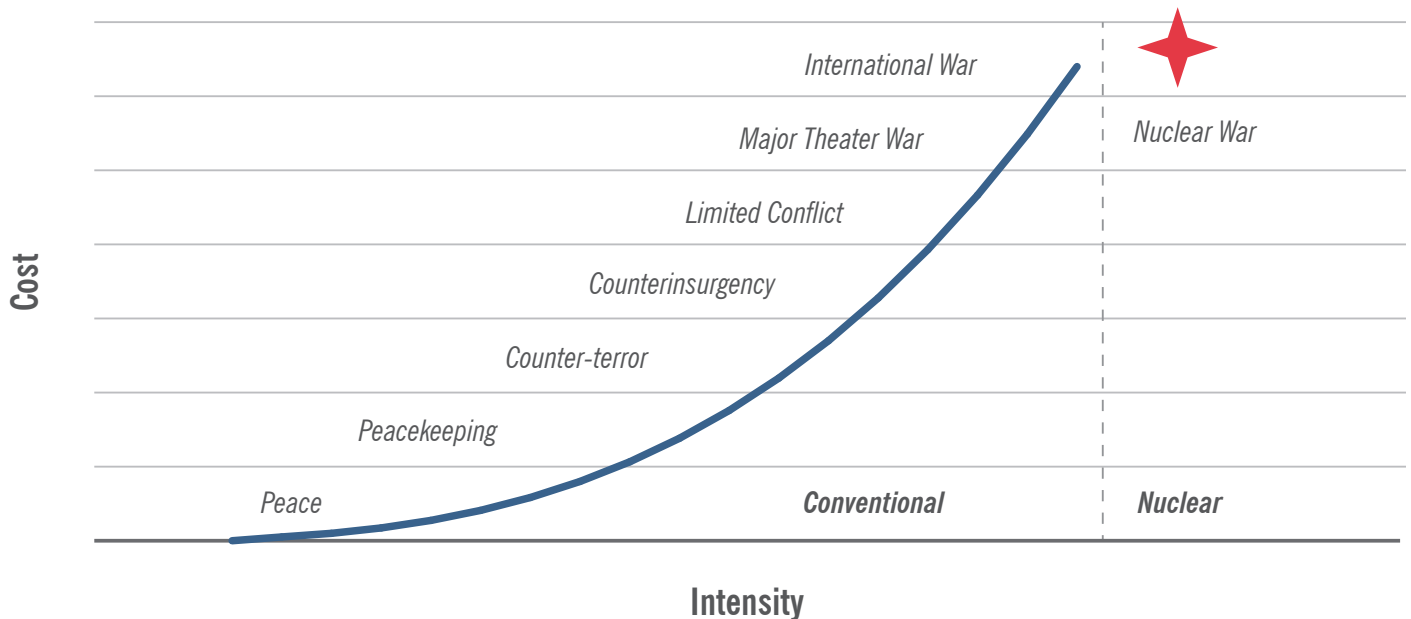
- assure safe access to the international commons;
- promote stability in key regions of the world; and
- advance and enhance an international order favorable to U.S. interests and values.

While these are only four enduring interests, they encapsulate the full spectrum of missions that face the U.S. military. The most recent *National Security Strategy of the United States*—a document regularly updated by the White House—requires the military be “ready to deter and defeat threats to the homeland, including against missile, cyber, and terrorist attacks, while mitigating the effects of potential attacks and natural disasters.”³² This short statement illustrates the variety of threats the military must be prepared to confront. No other military in the world is tasked with the volume of responsibilities, both at home and abroad, for which the U.S. armed forces must be prepared. The evolving global security environment makes the challenges facing today’s military even harder.

The New Normal: Revising Strategic Assumptions

Changes to Defense Department policy, especially in areas as complex and far-reaching as personnel, should be firmly rooted in a coherent approach to addressing the threats facing the nation. Military war colleges have long taught their students about the spectrum of conflict. This is a model used to explain how different types of conflict require different military responses and drive different costs. The spectrum of conflict is typically constructed as a graph with one axis measuring the intensity or danger of a conflict and the other axis measuring the predicted cost (see Figure 5). This classic model shows a direct correlation between the intensity of the fight and its cost—meaning, the more dangerous the conflict, the greater its cost in terms of money, equipment, and people. This theory of military conflict has been a primary driver in military strategy for years.

Figure 5: Legacy Spectrum-of-Conflict Model



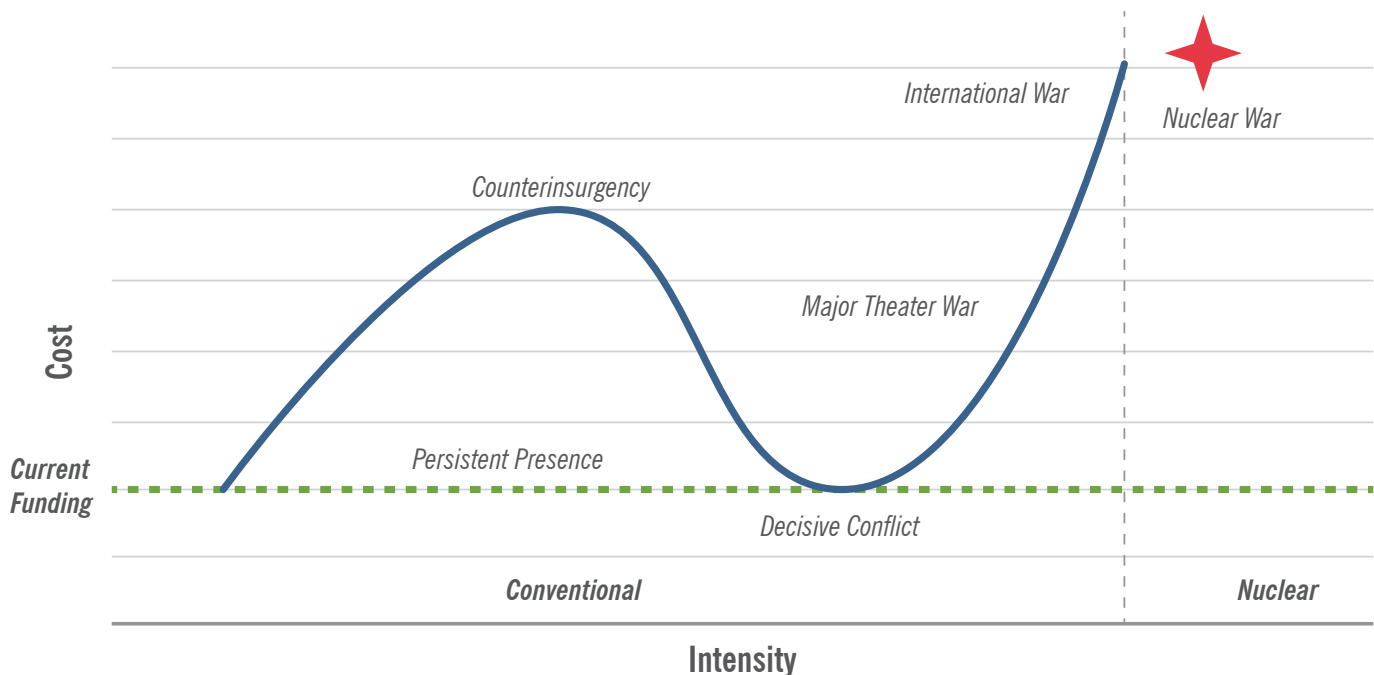
Source: Bipartisan Policy Center. *The Building Blocks of a Ready Military: People, Funding, Tempo*. January 2017. 6. Available at: <http://bipartisanpolicy.org/library/the-building-blocks-of-a-ready-military/>.

Based on the classic spectrum-of-conflict model, defense leaders devised a military strategy that was almost exclusively concerned with the most dangerous threat facing the nation. They decided that a military prepared to defeat the most dangerous or expensive threat would, by default, be easily able to defeat lesser challenges. This became especially evident during the height of the Cold War, as defense leaders constructed the entire U.S. military to be able to defeat the Soviet Union. Defeating the Soviet Union became the sole concern for every aspect of military strategy to include equipment, training, education, and also personnel.

This approach was certainly proper for the threat environment facing the United States at the time. By and large, the strategy has proved successful and the results were positive. The United States won the Cold War and also achieved significant success in smaller conflicts, culminating in an easy victory in the first Gulf War. However, following 15 years of sustained combat in the Middle East and the rise of new threats throughout the world, defense strategists must adopt a new approach to the spectrum of conflict.

Constant deployments throughout the world combined with the experience gained in Iraq and Afghanistan have led to a new way of understanding the U.S. military's various missions. This is detailed in the "New Normal Spectrum of Conflict Model" (see Figure 6). For the foreseeable future, the military will likely be expected to maintain a robust global presence, which comes at a higher cost than the old model suggests. Maintaining the peace is more expensive today than it was in the early post-Cold War years. Once considered to be low-intensity, U.S. forces have learned the hard way that counterinsurgency campaigns are long-lasting, expensive, and dangerous. In contrast, decisive and limited conflicts like the first Gulf War are relatively low-cost because of their shorter duration. With a shift to major-theater and international war, the new conflict model properly reflects an increase in cost and intensity. Nuclear conflict should be considered as entirely separate from this model, since the cost and intensity of a global nuclear war cannot be compared to any other conflict.

Figure 6: New Normal Spectrum-of-Conflict Model



Source: Bipartisan Policy Center. *The Building Blocks of a Ready Military: People, Funding, Tempo*. January 2017. 6. Available at: <http://bipartisanpolicy.org/library/the-building-blocks-of-a-ready-military/>.

The New Normal model illustrates the notion that a military designed for the most dangerous threat is not necessarily capable of winning against other adversaries. The U.S. experience in the Middle East demonstrates this principle quite clearly. Although the United States invaded Iraq over a decade after the Cold War ended, the military was still primarily built to defeat a large, industrial military like the one used by the Soviet Union. Successful in quickly defeating Saddam Hussein's regular military forces, the U.S. military struggled—and was nearly defeated—by the insurgent and guerilla tactics used by determined terrorist and sectarian fighters. It took nearly four years and cost thousands of lives before the armed forces adjusted their tactics to begin achieving some level of success on the ground in Iraq.

Going forward, defense leaders must keep this lesson in mind. A military built to defeat the *most dangerous* threat, however defined, cannot be relied upon to defeat *all* threats. A flexible force that can adapt to unique challenges as they arise should be the desired military structure of the future. A flexible force must be built using the same single-minded focus that led to the defeat of the Soviet Union. Flexibility should be the sole concern for all equipment, training, education, and—most especially—people.

A Gray Future: Characterizing the Threat

Today's global security environment is more complex and unpredictable than any that has confronted the United States. The future security landscape will be one of increasing complexity and rapidly evolving competition among a wide range of actors across multiple domains. Non-state actors will continue to pose a threat, while near-peer adversaries will seek to recast the post-Cold War international order to diminish U.S. influence and undermine the nation's interests. U.S. military strength and advantage will be challenged with unconventional and hybrid tactics. The proliferation of advanced technologies will create new war-fighting domains,

compel new strategies and operating concepts, and could erode the qualitative advantage that the U.S. military has enjoyed for the past quarter century, if not longer.

Protecting and advancing U.S. national interests in such an environment will demand both a continued, credible U.S. military global presence to maintain relationships, support allies, and assure like-minded partners, as well as a U.S. military able to adapt and respond quickly to a variety of challenges. History is rife with examples of America's military, prepared for threats of the past, only slowly reorienting itself to emergent circumstances. The future will be as unpredictable and less forgiving if U.S. forces are unprepared and slow to adapt.

Since the end of the Cold War, the United States has not confronted an adversary with similar military capabilities and strategic reach. Today, emerging "near-peer" adversaries—primarily Russia and China—are clearly on the rise. Pursuing regional dominance, they seek to constrain the U.S. military's ability to operate within the spheres of influence that they are both designating and slowly expanding. Unaddressed, their activities and actions can become coercive and imperil regional and U.S. national security interests. These emerging competitors seek new ways to overcome U.S. advantages, such as undermining the system of constructive U.S. alliances, relying on unconventional and hybrid warfare to achieve strategic objectives, and investing significant state resources in new military technologies.

The emergence of near-peer adversaries will force the U.S. military—supported by robust diplomatic initiatives—to maintain its forward global presence to encourage adherence to international norms, support the rules-based international order, and bolster the defense capabilities of U.S. allies and partners. The U.S. military has been the guarantor of global security and stability since the end of World War II. Allies and partners in crucial regions will continue to look to America's military presence, cooperation, support, and training to assure

security and prosperity. Should that presence not be forthcoming or should it be perceived as lacking the capability and capacity to deter would be adversaries, U.S. partners may calculate that they would be safer appeasing regional powers than counting on U.S. support.

Low-level conflicts—waged by groups deploying a range of unconventional, irregular, and asymmetric tactics against standing armies—will likely continue to erupt and smolder around the globe. Non-state actors are unlikely to be the only ones waging them. Near-peer competitors are increasingly trying to challenge America’s traditional military advantages using ambiguous forces and tactics just below the threshold of military aggression. This dynamic will lead to unconventional conflicts that emphasize the importance of having both capable partners and purpose-tailored U.S. forces that can succeed in military operations other than war.

Unconventional warfare tactics are frequently utilized in what has been deemed the “gray zone.” General Joseph Votel, former commander of U.S. Special Operations Command, and several of his colleagues at National Defense University wrote that the gray zone is characterized by “intense political, economic, informational, and military competitions more fervent in nature than normal steady-state diplomacy, yet short of conventional war.”³³ In gray-zone conflicts, the traditional sources of U.S. military capability—superior military equipment wielded by conventional units of highly trained personnel—are less effective. The gray zone is an area where U.S. adversaries have learned to advance their interests and operate at a level that does not trigger a conventional military response, where the United States still maintains a sizeable advantage. Russian actions in Crimea and Chinese provocations in the South China Sea demonstrate that U.S. competitors have developed a “finely tuned risk calculus” when it comes to operating beneath the threshold of “eliciting a belligerent U.S. or allied response,” which today would almost certainly result in a U.S. victory.³⁴

Future conflicts are also likely to be characterized by the deployment of new technologies that are opening new battlefields. Space, heretofore America’s uncontested domain, is changing, and America’s margin is shrinking quickly. Access to high-value orbits is becoming affordable for more nations, and crucial U.S. space-based capabilities are vulnerable as never before. Cyberspace is a domain in which otherwise weak actors can inflict significant damage to U.S. infrastructure, the economy, and national confidence. Unlike the past decade of conflict, complex electronic warfare, contested air and sea environments, rapidly evolving unmanned systems, and advanced weaponry will define the contours of battle and greatly challenge the U.S. military’s technological edge.

Military Capabilities Required to Win in the Future

New analytical frameworks and evolving threats will necessitate updates to how defense leaders organize, utilize, and manage the future force and its personnel. Since it is impossible to predict the future, flexibility is the paramount virtue of military planning. However, several key trends are emerging today that are likely to continue for years to come. These trends should be supported and advanced by new personnel-management policy.

The rise of gray-zone conflicts and the importance of maintaining close ties with U.S. allies require the military to be persistently present around the world. Whether on a permanent or rotational basis, this requirement places an ongoing high demand on service members and their families. To enable a persistent overseas presence, while not breaking faith with service members, defense leaders should continue to refine the roles and uses of the reserve component.

The conflicts in Iraq and Afghanistan have shown the reserve components of the armed forces to be a capable fighting force. Formerly characterized as a strategic reserve, to be

used only in dire circumstances, the reserve component has evolved into an operational force that is now routinely deployed overseas.³⁵ However, the reserves still face readiness limitations when compared with the active force. Hence, the reserve component is particularly well suited for the predictable overseas-presence missions that characterize the majority of U.S. operations abroad. The European Reassurance Initiative and the Marine rotational force in Australia perfectly depict these sorts of ongoing overseas-presence operations.^{36,37} Using the reserve component to meet this demand allows reserve units to predict and prepare for a well-defined mission, while active-duty resources can prepare for a more-diverse range of threats.

Train, advise, and assist missions will likely continue to be a major task for the U.S. military in the coming years. Traditionally, these operations are tasked to Special Operations Forces, who are comfortable working and embedding with partner militaries due to their high levels of training and experience. And while Special Operations Forces offer impressive and unique capabilities, they have been heavily utilized over the last 15 years of fighting. Many special-operations units have been required to focus their energy on counterterrorism missions, which makes it more challenging to prepare for the train, advise, and assist missions. To meet the train, advise, and assist demand in the future, the military should prepare conventional units to satisfy much of the need.

A cadre of mature, experienced, and well-trained personnel are required to successfully accomplish train, advise, and assist missions. In the conventional force, this level of

experience is found in the field grade and noncommissioned officer corps. The Army has already moved toward building “train, advise, assist” brigades within its conventional force, but expanding this project will require alternative promotion paths and more-flexible career models for both officers and enlisted personnel.³⁸ The up-or-out, one-size-fits-all system is not especially equipped to create conventional train, advise, and assist units.

A third major trend that will undoubtedly continue is the impact of technology on the nature of warfare. The advancement of autonomous and unmanned technology in particular will change the skills and types of people required by the military. Autonomous systems pose unique challenges for a military that is used to operating under orderly and clear chains of command. As these systems grow in capability, they will press the military to delegate decision-making to lower levels in order to keep up with the speed of warfare.

According to the Defense Science Board, autonomy accelerates decision-making and places unique demands on military personnel. In developing an “autonomy-literate workforce,” the board recommends, “creating a military service career identifier, insuring their continued assignment in the autonomy field, categorizing autonomy trained personnel in the highest pro pay category, and offering significant re-enlistment bonuses and officer retention bonuses.”³⁹ These innovative personnel policy approaches to building an autonomy-literate force are also emblematic of the steps required to acquire talent comfortable with all forms of advanced technology. These sorts of steps are needed now to meet a demand that is “far from satisfied and is growing.”⁴⁰

Roadblocks to the Reserves: One Experienced Civilian's Story

Foreign capacity-building and international development are, and will continue to be, major mission objectives for the U.S. military. Former president Barack Obama said in one of his last speeches, “Whoever the next president is, development has to remain a fundamental pillar of American foreign policy and a key part of our work to lift up lives not just overseas, but here in the United States.”⁴¹ The military routinely deploys around the world to provide training, advice, and assistance in order to build up the capacity of America’s partners and allies.

The U.S. Army specializes in partnering with foreign militaries, and it employs a group of soldiers called civil-affairs specialists to build relationships and partner capacity with foreign military units and civilian populations. Virtually all—96 percent—of the Army’s civil-affairs specialists are reservists. This organizational construct allows commanders to deploy the right specialists with the desired skillsets and cultural backgrounds for the mission. The Army’s civil-affairs capacity has perhaps never been more important, especially in light of America’s future national security challenges. This is why the story of Jane is so troubling.

After graduating from college with degrees in political science and sociology, with a focus on African politics and society, Jane spent several years volunteering with the Peace Corps in Southern Africa. After completing a master’s degree in public policy at a top-ranked graduate school, she went on to acquire a decade’s worth of on-the-ground, international-development experience across a wide range of positions with nongovernmental organizations in Africa. She had long maintained an interest in civilian-military collaboration and hoped to lend her skills to the military as a cultural trainer or advisor. In

2015, at the age of 32, Jane decided the best way to serve her country was in the Army and made it her goal to become a reserve civil-affairs officer.

Living in Africa, and without any prior connection to the Army, Jane visited goArmy.com and reviewed the qualifications required to serve. The website directed her to contact a local recruiter. Since there were no recruiters local to Africa, she was unable to visit in person, so she called three recruiters at separate recruiting stations near her prior home in the United States. Most of the recruiters were hesitant to discuss specifics on the phone and some had never submitted a packet for an officer before, much less a reserve officer.

Since her case was unusual and the recruiting process proved difficult to manage, eventually, Jane realized that she would have to come back to the United States to make her way into the Army. She quit her full-time job in Africa and used her savings to finance a return to the United States. Upon landing back home, Jane visited an Army recruiting office in person and found that the local recruiter did not have the knowledge or motivation to assist her. Meanwhile, time was becoming a factor: The Army requires all officers to commission before the age of 34.

Further complicating Jane’s quest was an Army rule stipulating that new officers are not allowed to enter directly into the civil-affairs specialty. Jane would have to first serve several years in another specialty—like military police or logistics—before she would become eligible to transfer to civil affairs.

Eventually, Jane attended an event at BPC where she told the story of her significant motivation to join the Army Reserve and some of the challenges she had faced. A

member of BPC's Task Force on Defense Personnel with high-level connections to Pentagon leadership heard Jane's story and introduced her to senior leaders at the Army, who were able to issue the requisite "exception to policy" age waiver and get her into the Army's reserve-officer commissioning program. Jane scored exceptionally well on her military entrance exams and, two years after starting the process, is close to realizing her goal of becoming an Army officer. Her dream of becoming a civil affairs officer is still several years away, but she is one step closer.

Though this story has a happy ending, it should serve as a cautionary tale. There are few individuals who would be

motivated enough to join the Army that they would wait for two years, sacrifice a full-time job, and relocate to the other side of the world without knowing whether that effort would ever be rewarded. The U.S. Army is lucky to count Jane among its ranks, but without a lot of luck and a chance meeting with Pentagon senior leadership, the Army may never have been able to bring in a new officer with such exceptional experience and relevant background. The personnel systems must be updated to ensure that experienced and motivated citizen-soldiers are welcomed into the ranks. The needs of the military are too great, and there are too few Americans motivated to serve.

The Rising Costs of the Current Force

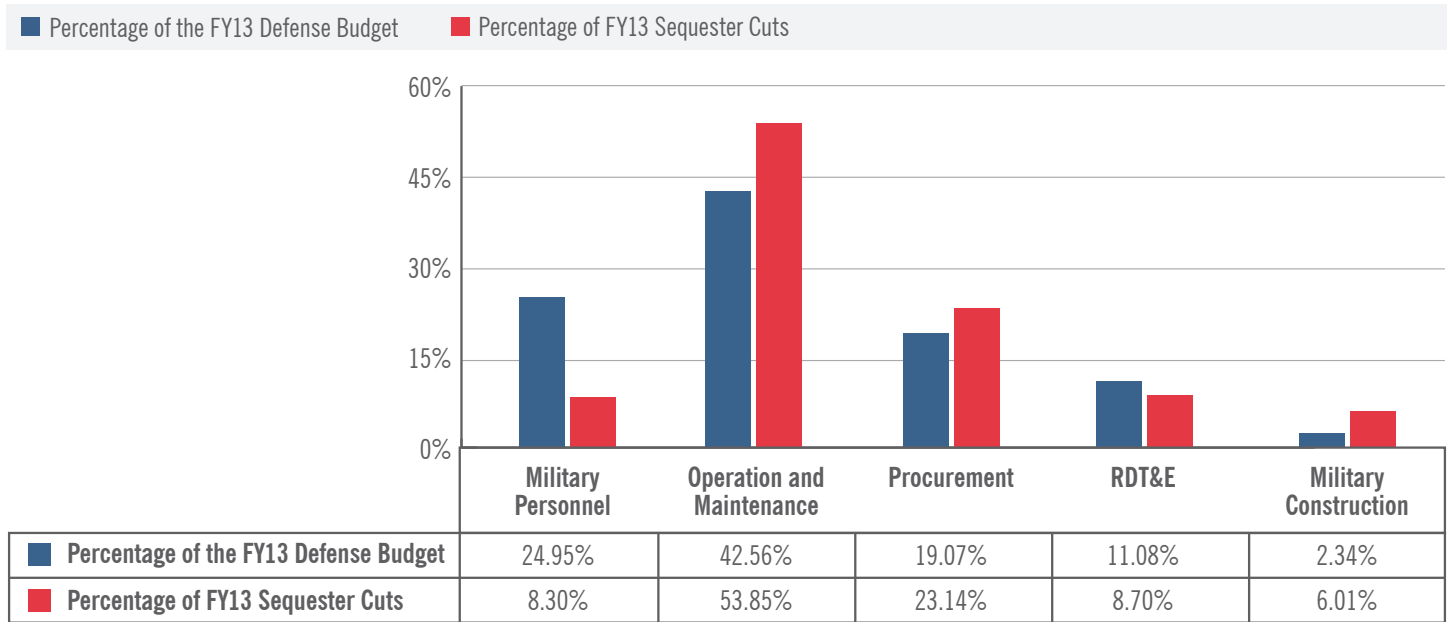
The U.S. military's ability to confront future threats is hampered by the growing cost of personnel. The more expensive the force becomes, the more difficult it is to sustain a sufficiently large force to protect the United States and its interests. But the cost of the force is not just a budgeting issue; it is a direct result of personnel policy decisions. To maintain a high-quality, professional force, service members must be competitively compensated. Further, because the military places unique demands on its members that are not comparable to civilian employment, service members warrant unique benefits. But in an environment of stagnant defense budgets, every dollar spent on compensation is a dollar that cannot be spent on training, readiness, equipment, or new technology. This dynamic is made worse by a personnel system that offers very limited options aside from compensation to incentivize people to either join or remain in service. The fundamental structure of military and civilian careers must be addressed to achieve efficient, fair compensation and to keep the sacred promise between the nation and those who defend it.

Much of the compensation system has gone untouched for 70 years. Though base pay had to increase when conscription was discontinued, housing and subsistence allowances are still based on whether a service member has a family. Furthermore, a large portion of the military compensation package is in-kind.⁴² Benefits like health care, on-base housing, fitness centers, tax-free shopping, and subsidized commissaries are all part of the total compensation package. Some studies have suggested that service members place a higher value on cash compensation than these in-kind benefits.⁴³ Additionally, a study of military personnel shows that there is a significant discount rate for immediate cash compensation, versus delayed compensation, such as the retirement pension and TRICARE For Life.⁴⁴ This does not mean that deferred compensation and in-kind benefits are not important—they are, and service members' attitudes may change when they are older, retired, and experiencing different needs. These factors suggest that military compensation, as currently distributed, is inefficient—neither optimizing service-member satisfaction nor maximizing the value of taxpayer dollars.

Meanwhile, since the fundamental characteristics of a military career have not changed in 70 years, the only method the Defense Department has to entice service members to join or continue serving is an expensive system of cash recruiting and

retention bonuses. Recent announcements from the Air Force, however, indicate that these bonuses are not enough to entice many fighter pilots to continue serving, which has been a contributing factor to the service's current fighter-pilot

Figure 7: FY 2013 Sequester Cuts Disproportionately Impacted Readiness

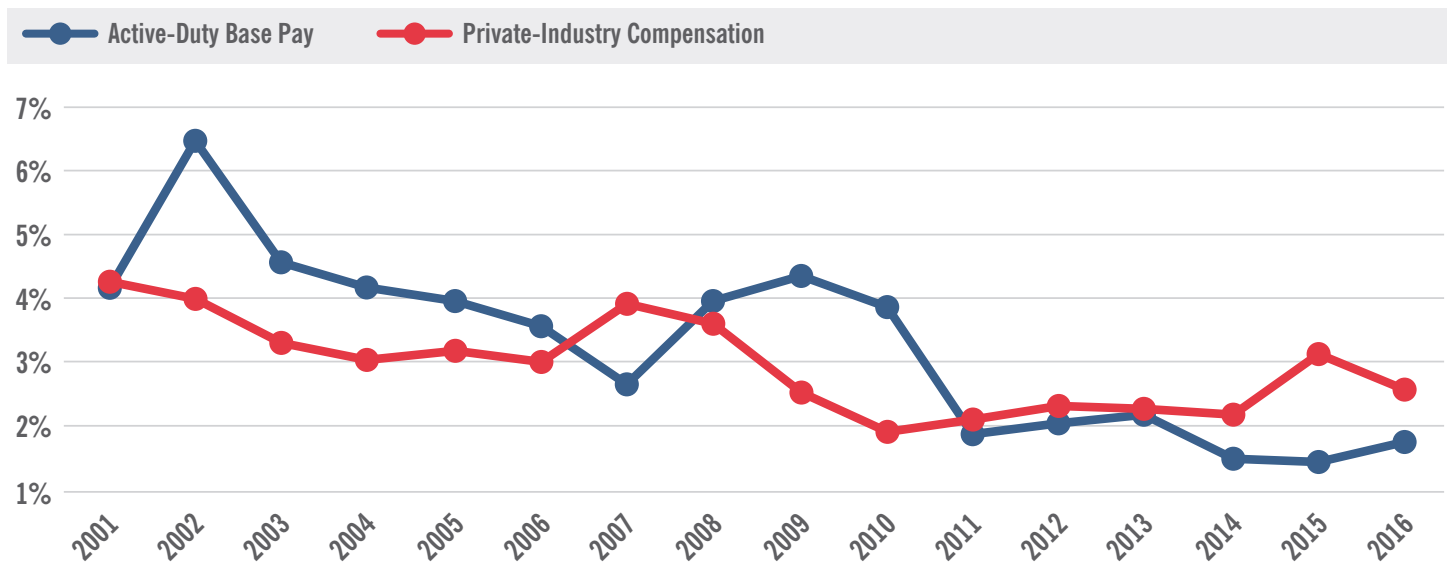


Note: Data is in FY 2017 constant dollar outlays. RDT&E refers to Research, Development, Test, and Evaluation.

Source: Bipartisan Policy Center. *The Building Blocks of a Ready Military: People, Funding, Tempo*. January 2017. 16.

Available at: <http://bipartisanpolicy.org/library/the-building-blocks-of-a-ready-military/>.

Figure 8: Year-on-Year Percent Change in Active-Duty Pay and Private-Industry Compensation



Note: Data is in 2015 constant dollars.

Source: Bipartisan Policy Center. *The Military Compensation Conundrum*. September 2016. 13. Available at: <http://bipartisanpolicy.org/library/defense-military-compensation/>.

shortage.⁴⁵ Since defense dollars will never be unlimited, simply paying people more is not the most effective long- or short-term solution.

Competing for Talent with the Private Sector

Since the United States discontinued the military draft in 1973, the armed forces have been forced to compete with the private sector for high-quality talent. Prior to the professional force, military pay was low and per-service-member personnel costs were significantly lower than today. However, since 1973, policymakers have approved large military pay raises and created expensive new benefits to dramatically increase the competitiveness of military compensation. These were necessary increases as the military struggled to recruit the required numbers of high-quality individuals into military service following the repeal of the draft.⁴⁶ Unfortunately, the government’s ability to continue increasing pay to boost military recruiting is not unlimited. The recent past has been particularly difficult for the Defense Department, as it balanced the personnel implications of long-lasting wars against the continuing struggles of recruiting and retention.

Personnel spending per service member has grown substantially—by more than half—over the past 15 years of war.⁴⁷ More than half of the increase is attributable to growth in cash and equivalent compensation, such as basic pay and the housing allowance. Many of these increases were the result of a necessary effort to achieve a more-competitive position compared with private-sector alternatives, and to retain service members during more than a decade of dangerous, intensive combat and nation-building operations. The cost of benefits—especially health care—has also increased substantially. In fact, it has been the fastest-growing portion of military personnel costs (see Table A), and it has grown faster than the economy as a whole, faster than per-capita U.S. health care spending, and faster than the base defense budget.⁴⁸ Health care benefits for service members, working-age military retirees, and their families have doubled in cost per service member. And while pension benefits have been roughly stagnant, overall retiree benefits increased due to a new health care benefit for Medicare-eligible military retirees known as TRICARE For Life.

TABLE A: Personnel Cost Per Active-Duty Service Member (2016 Dollars)

	FY2001	FY2016	Percent Change (2001 to 2016)	FY2017
Active-Duty End-Strength <i>(Not including Reservists or National Guard)</i>	1,386,000	1,311,000	-5%	1,301,000
Pay-Like Compensation	\$50,670	\$73,038	44%	\$74,001
Basic Pay	\$33,326	\$40,450	21%	\$41,299
Retirement Costs	\$12,560	\$16,635	32%	\$15,906
Normal Pension Costs	\$12,560	\$12,699	1%	\$12,102
TRICARE For Life	\$0	\$3,936		\$3,804
Defense Health Program	\$11,661	\$24,940	114%	\$25,979
Total Personnel Costs	\$74,890	\$114,614	53%	\$115,886

Source: Bipartisan Policy Center. *The Military Compensation Conundrum*. September 2016. 11. Available at: <http://bipartisanpolicy.org/library/defense-military-compensation/>.

The table and discussion above considers the major direct-pay and benefit costs of military personnel, but it excludes several important indirect benefits and their costs—which are substantial. In addition to the items above, the fully burdened costs of the professional force also encompass: income-tax exclusions, such as tax-free housing allowances and hazard pay; post-9/11 GI Bill education benefits for former service members, which can sometimes be transferred to family members; health care, cash, and other benefits from the Department of Veterans Affairs (VA) for former service members who have a service-connected disability; commissary benefits that allow service members to purchase food and other items at wholesale prices; schools and child care for children of service members; and contributions from the U.S. Treasury (not included in the Defense Department budget) to help finance military pension benefits, such as for veterans who receive both a disability pension and a military retirement pension (known as concurrent receipt). Most of the aforementioned costs are not paid for out of the Defense Department budget—for example, the tax benefits result in foregone revenue by the U.S. Treasury, veteran benefits are funded with appropriations to the VA, and many military schools and child-care programs are funded through appropriations to the Department of Health and Human Services. While the VA and many of these items are beyond the scope of the task force’s work, they are all important benefits to service members and their families and should be considered by policymakers as they evaluate military personnel costs.

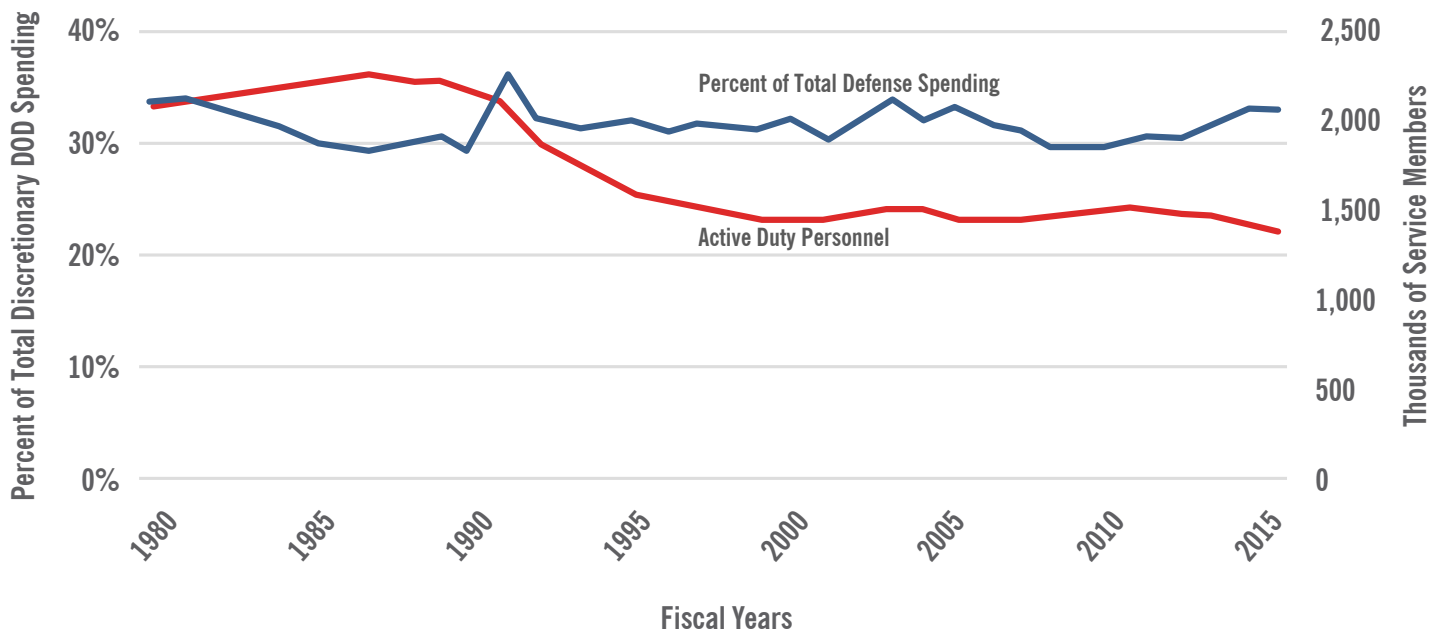
Personnel Costs in the Context of the Defense Budget

Rising personnel costs have coincided with larger budget trends that have created major challenges for Pentagon management and that have imposed nonmonetary costs on service members. When Congress enacted the Budget Control Act of 2011, legislators intended it to force a long-term budget agreement that would address entitlements and the tax code, which are the major drivers of the nation’s long-term debt

problem. However, lawmakers failed to reach such an agreement, resulting in the implementation of arbitrary spending caps on annually appropriated programs—of which defense is the largest component. While Congress and the former president have agreed to modest adjustments to these caps, the resulting spending levels have been insufficient to support the activities that policymakers have demanded of the military as national security threats have grown.

Pentagon leaders and congressional appropriators have been trapped in a no-win situation for the last five years. Because some military costs—such as per-service-member pay and benefits, and long-term acquisition programs—are difficult to reduce in the short term, policymakers have instead reduced end-strength, training, and operational expenses. However, the national security mission remains crucial, and despite the drawdown from Iraq and Afghanistan, operational tempo has remained high. Consequently, fewer service members are left to complete the mission with fewer resources for operations—the result is a more-stressed force, lower retention, and impaired readiness. In the past, such as the height of combat operations in the Middle East, policymakers have attempted to compensate for the burdens on service members and their families by increasing pay and offering large enlistment and retention bonuses. Policymakers are now confronted with the challenges of sustaining a ready force that is fiscally affordable in these challenging budgetary and national security environments. Personnel policies—both those that affect compensation and those that affect the experience of military service—will be essential to resolving this conundrum.

Figure 9: Active-Duty Personnel Costs as a Percentage of Total Defense Spending



Source: Bipartisan Policy Center. *Losing Our Edge: Pentagon Personnel Reform and the Dangers of Inaction*. June 2016. 6. Available at: <http://bipartisanpolicy.org/library/pentagon-personnel-reform/>.

Senior leaders at the Pentagon have repeatedly sought ways to cut costs within the current system. Officials have proposed slowing the rate of growth for military pay, revising the formula used to determine the housing allowance, and charging higher premiums for health care. All of these proposals run into the same roadblocks—usually outside of the Pentagon itself. These proposals are often described as balancing the defense budget on the backs of service members and veterans. The only way to effectively bend the cost curve of military personnel is to revamp the personnel system to increase the efficiency and effectiveness of the force.

One benefit of making the Defense Department more efficient through large-scale reform is that the military will not risk breaking its promises to the men and women who choose to serve. There would also be limited political backlash, because the military would introduce better practices, greater efficiency, and higher respect for individual needs to the

processes of recruiting and organizing the total force. Moreover, the changes are justified, as they would bolster national security and military readiness even if they did not result in lower costs.

The Growing Civilian-Military Divide

The ambitions, expectations, and lifestyles of U.S. society have changed dramatically since the policies that shaped today's personnel system were developed in the late 1940s. This change is an important consideration for defense leaders, who must recognize that in a volunteer, professional force, the military cannot afford to stand apart from the society it serves. Instead, the military must embrace and accommodate the evolving desires of Americans in order to attract the top talent required to fight and win future conflicts.

Family Life

Although the military personnel system has not changed much over the years, American society certainly has. In 1960, just over a decade after the passage of the Officer Personnel Act of 1947, only 25 percent of married couples with children had two income earners.⁴⁹ In the 1970s, when the draft ended, this figure was around 32 percent.⁵⁰ Today, over 60 percent of married couples with children are dual earners.⁵¹ This is a tremendous change, and it presents a particular challenge for a military system that insists on relocating its personnel every two to three years.

When conscription ended in the early 1970s, about half of women ages 25 through 54 worked outside of the home; in the 2010s, roughly three-quarters do.⁵² Yet, the operational tempo and ever-present duty requirements of the military often prevent spouses—the majority of whom are women—from holding regular jobs. Despite the many progressive advances the military has made in the areas of diversity and inclusion,

such as the repeal of “Don’t Ask, Don’t Tell” and female combat inclusion, the implicit role of the military spouse is still as a 1950s-era homemaker. This is particularly true for the wives of senior-ranking officers and enlisted personnel; these women are often expected to lead unofficial spouses’ groups or military-sanctioned Family Readiness Groups. These unpaid roles often require nearly full-time commitments.

Another factor to consider is who is serving. The post-World War II period saw hardly any women in uniform. That remained unchanged through the days of the draft. Today, over 15 percent of service members are female serving in almost every military occupational specialty.⁵³ Over 20 percent of those females on active duty are married to another service member. In 2015, over 41 percent of all military personnel had children and 4.5 percent of active duty personnel were single parents.⁵⁴ These dynamics were never taken into account when Eisenhower and others were considering the benefits of up-or-out.⁵⁵

Service Members and Military Families Reveal Their Concerns to the Task Force

The task force organized several military focus groups to gain a deeper understanding of the impact of the personnel system on service members and their families. Focus groups comprised individuals representing every segment of the total force. Participants included:

- newly enlisted Marines in Pensacola, Florida, who were still completing their initial military training;
- experienced soldiers, along with their spouses, at Fort Bragg, North Carolina;
- nearly an entire squadron of Marine Corps aviators at Camp Lejeune, North Carolina;
- Army and Air Force active-duty and reserve personnel and spouses at Joint Base Lewis-McChord, Washington; and

- numerous service members and their families representing the Navy and Marine Corps in San Diego, California.

At the various locations, the task force heard from officers, enlisted, and warrant officers serving in both the active and reserve components. Spouses spoke of their concerns, and children shared how they felt about their parents’ service.

The focus groups were encouraging as the task force learned that—despite the hardships of repeated deployments and time away from family—service members and their families are still motivated by the military’s unique mission. Throughout the military, however,

many service members and spouses are concerned that the sacrifices required by military service are increasingly becoming more burdensome. Most troubling of all, when asked if they would recommend military service to their children, about half of focus group attendees said they would not. This result aligns closely with the 2016 Military Family Lifestyle Survey from Blue Star Families, which found that 57 percent of active-duty military families are unlikely to recommend service to their own children.⁵⁶

When asked if the military does a good job of retaining its best leaders and technicians, the feedback was overwhelmingly negative. Nearly every person surveyed shared a story about a high-performing service-member colleague leaving the military prematurely. Several Army surgeons shared that they believe current policies do harm to both leaders and technical specialists. Technicians are encouraged to leave because the current system only promotes those who pursue leadership roles, and the best leaders are encouraged to leave because they are forced to compete for command opportunities with those who are not even interested.

Notably, Army warrant officers provided the most positive feedback and were most satisfied with their quality of service. These technical specialists were highly complimentary of the Army's warrant-officer system. One warrant officer said that the only reason he decided to

continue serving was because the Army allowed him to transition from the enlisted ranks into the warrant-officer ranks.

Nearly all service members and military families asked for more stability and predictability regarding moves, deployments, and other family separations. Although deployments tend to receive the bulk of the attention, defense leaders should not overlook the challenges posed by unplanned training events and last-minute temporary duty assignments. These all contribute to an operational tempo that family members say continues to rise even with the drawdown of troops in Iraq and Afghanistan. Despite expectations, heavier burdens continue to be placed on a smaller force.

One cause for optimism is the spirit and enthusiasm present in the military's youngest recruits. The new Marines stationed at Pensacola, Florida, were still in the midst of their initial training. Most were between the age of 18 and 20 years old. Unanimously, these young Marines joined the military to protect the country and fight the nation's wars. Their biggest frustration was the fact that they had to wait until they finished their training to be ready to deploy. The nation cannot afford to dampen their enthusiasm by delaying the personnel reforms their more-experienced comrades believe are necessary.

Health and Fitness

When the up-or-out, one-size-fits-all military was developed, it was not obesity, but rather the high rate of *underweight* civilians who would otherwise be eligible for service that presented a challenge to the military.⁵⁷ In contrast, the obesity rate today is 37.9 percent.⁵⁸ Yet, the military of the future will continue to rely on large numbers of physically fit recruits. As the American people grow—literally—less fit over time, the

military cannot afford to limit its reach by restricting recruiting based on geography, age, or simply a lack of effort.

Education

The U.S. education system has changed dramatically over the years as well, particularly in the number of people graduating from college. The percentage of Americans who earned a bachelor's degree in the 1940s was around 5 percent; today,

nearly one-third of Americans over age 25 have completed college.⁵⁹ While ordinarily this would be viewed as a positive outcome, one could make an argument that rising college attendance rates has a negative impact on military recruiting since most of the force is enlisted personnel, for whom a college degree is not required. In short, increasing college attendance and graduation reduces the potential cohort of enlisted recruits. In addition, women are now well over half of those pursuing bachelor degrees, which will clearly create a difference in the gender distribution of the future officer corps.

These changes are just the beginning. The fabric of American society is different in almost every way from the country that existed in 1947. Yet the military still operates largely the same as it always has. While civilians increasingly find and apply for jobs online, military recruiting is still accomplished mostly through face-to-face physical recruiting stations located at strip malls across the country. As civilian employees grow accustomed to routinely moving in and out of companies, the military still emphasizes a 20-year career. Private-sector compensation is based more on employee performance, while military pay is importantly based on seniority.

These factors and others have led to the perception, in the minds of many talented Americans, that the nation's innovative talent base is no longer aligned with the national defense mission. The Department of Defense, which has produced some of the nation's greatest technological advances over its history, has been surpassed by the private sector in terms of technical creativity and innovative outlook. This outlook serves to further isolate the military from the talent required to succeed in the future.

A Military Increasingly Isolated From the Rest of the Nation

A relatively small percentage of the U.S. population currently serves in the military—essentially about 1 percent. Only one in 12 adult Americans have served in the military at any point

in their lives.⁶⁰ Add to that the fact that military service has increasingly become a family tradition—80 percent of military recruits come from a family in which a parent, grandparent, aunt, uncle, cousin or sibling also served—and that fewer and fewer Americans can cite a neighbor, friend, or family member who has recently served.⁶¹ Most Americans have little to no direct connection with the military. As the force continues to shrink, the pressure and challenge of recruiting Americans who have no exposure to the military will rise.

The current military personnel system exacerbates the civilian-military divide by virtue of geography and through necessary security measures, separating service members and their families from the civilian population that they serve and defend. Active service members are rarely stationed at a military base that is reasonably close to their homes of record. Constant relocations, extended family separations, and an up-or-out career model force military families to endure a lifestyle that is vastly different from their civilian counterparts.

Adding to this problem is the fact that the United States remains engaged in the longest war in its history without the use of conscription, war bonds, or any significant government-sponsored support from citizens on the home front. This contrasts greatly with the way the nation fought wars in the past. The wars in Iraq and Afghanistan represent the first great test of the all-volunteer force in a sustained conflict, and unfortunately, civilians have the inaccurate notion that being a stakeholder in America's wars is purely voluntary. This has allowed millions of Americans to separate themselves from anything related to the military or national security policy.

As the civilian-military divide continues to grow, young Americans from nonmilitary families will become less likely to consider volunteering for military service. Likewise, the population that participates in military service will become more stratified along geographic and socioeconomic class lines. There is already a large regional imbalance in the number of recruits joining the military, with the South contributing

larger percentages of the key 18- to 24-year-old demographic.⁶² Other troubling dynamics, such as low military-spouse employment and challenging military-to-civilian transitions, are greatly impacted by the civilian-military divide and the negative perceptions of military life that pervade American culture.

If Policymakers Do Nothing

If the Defense Department continues to manage its people in the same way it has since the end of World War II, the military will become smaller and less capable. It will cost more and will fail to attract individuals with the talents and skills needed to face looming challenges, translating directly to greater loss of blood and treasure. Quite simply, lawmakers and defense leaders must act so the United States can maintain its military advantage over its adversaries.

As defense budgets continue to stagnate and the cost of military personnel continues to grow, the force continues to shrink. Unless the military finds ways to bend the cost curve for its personnel, it will be increasingly unable to pay for the other necessities of a military, namely training and equipment.

The nation's future national security depends on attracting the service of capable men and women with the necessary skillsets. Large numbers of young and fit personnel will continue to make up the majority of the force, particularly so for ground-combat units. At the same time, the military will continue to increase its reliance on technical experts with significant experience, particularly in emerging domains like

space and cyber. The military must create personnel systems that appeal to both types of people—in other words, it will have to embrace the concept that one-size-does-not-fit-all.

Former Acting Undersecretary of Defense Brad Carson has offered a revealing thought experiment: Suppose Facebook founder Mark Zuckerberg wants to join the Army. What could the Army do with him? Based on established law and policy, Carson says, Zuckerberg could not serve as an officer. He would have to enlist because he does not have a college degree. The Army might allow him to skip the first couple enlisted ranks on account of him starting one of the world's most valuable companies, so he could probably come into the Army at the rank of specialist. If the president really wanted him to serve as an officer, he could violate Pentagon policy and offer a commission up to the rank of captain without having to inconvenience the Senate. While this is a hypothetical, and the most recent National Defense Authorization Act does introduce some flexibility for cyber personnel, it demonstrates an important truth. The military as presently constructed is not well positioned to take full advantage of the amazing talent present within the American people.

These reasons and many more should inspire defense leaders in Congress and at the Pentagon to act now to reform the military's various personnel systems to best leverage the whole of U.S. society and achieve the nation's challenging security mission.

Recommendations: A F.A.S.T. Force



The following 39 recommendations represent a comprehensive approach to improving Defense Department personnel policy. Focused on building the force required to succeed in a complex and unpredictable global security environment, the task force's recommendations center on four desired attributes of future personnel systems. To ensure the nation's future national security and military advantage, future Defense Department personnel policy should build a force that is:

- fully engaged by American society;
- adaptable to new threats as they arise;
- sustainable, both financially and culturally, for long-term success; and
- technically proficient for the information age.

Taken together, these recommendations prepare the military to confront the threats of the future while also keeping promises made to today's service members and meeting the needs of military families. A Fully engaged, Adaptable,

Sustainable, and Technically proficient (F.A.S.T.) military will be well suited to ensure the future force is as strong as the one enjoyed by Americans for generations.

A Fully Engaged American Society

To defend against a range of future threats, the nation requires a military capable of attracting all qualified Americans to military service. The United States has an abundance of diversity and talent. The U.S. population includes individuals from nearly every country who speak nearly every language, so America's military should be able to understand the cultural nuances of any conflict zone. There is no conflict in the world that the U.S. military should lose because of a lack of cultural understanding. American entrepreneurs and engineers are among the most innovative thinkers in the world, so the U.S. military should never be technologically disadvantaged against any adversary (while recognizing that technology may not always be a decisive

factor). The United States is also home to many of the best universities in the world, so military service must become an attractive option for educated Americans who seek out opportunities to contribute to the greater good.

The Defense Department must be well positioned to win against the full spectrum of threats facing U.S. national security. While mission success and the needs of the nation are paramount, the following recommendations would make uniformed and defense-civilian service more attractive to the wide variety of talent that will be needed for the future.

F-1: Make it easier for military spouses to find and sustain a career, especially when relocating.

Military-spouse employment is a quality-of-life issue with profound effects for families and the larger military. Frequent relocations mandated by the current personnel system are primarily responsible for high unemployment and underemployment for military spouses. Other important contributing factors are the lack of availability and affordability of child care and insufficient notice for military activities, such as trainings that require the service member to travel, that create unexpected needs for child care that are difficult to fulfill if the spouse also has work obligations. The Defense Department has established a series of well-intentioned spousal-employment policies that have been of limited impact, largely because they do not effectively confront the challenges associated with frequent moves and child-care needs. (Please see recommendations on page 54 for proposals to improve child-care availability.)

While the quality-of-life impacts for particular families are obvious, lack of spousal employment also contributes to military-retention challenges and broader damage to the morale of service members. In today's professional force, service members have the option to separate at the end of their terms of commitment, and family members have

substantial influence upon that decision. When the military loses high-performing, highly trained service members at the peak of their abilities because of the inability of a spouse to pursue a career, readiness suffers. And while a significant proportion of the force—especially enlisted service members—is single, they are aware of the challenges of the military lifestyle for families, which may affect their reenlistment decisions. Further, many military families accommodate spousal-employment needs by separating geographically. This creates the phenomenon known as “geographic bachelors and bachelorettes”—service members who move by themselves to take the next assignment, leaving their families elsewhere. Task-force members have seen firsthand how this far-from-ideal situation creates morale problems not only for the service member who is geographically single, but also for their colleagues, especially those under the command of a service member who is living apart from his or her family. The family's presence—especially for leaders—is healthy for an entire unit.

Lawmakers and Pentagon leaders should consider spousal employment as a crucial readiness issue. Personnel policies and other employment initiatives must be assessed through this lens in the context of dynamic economic and associated employment opportunities. There is no single spousal-employment policy that will guarantee that all spouses of service members will have employment opportunities commensurate with their education, abilities, and experience. Rather, creating the conditions to facilitate greater spousal-employment opportunity must be accomplished through a comprehensive effort to adjust personnel policy to markedly enhance opportunities for spouses to obtain and maintain employment at levels consistent with their education and experience.

These policies must especially focus on easing the transition for working spouses at the time of military-mandated relocations. For example, defense-civilian job opportunities

could be made available to military spouses concurrently with the relocation process. In some instances, it may be in the best interest of both the military and the family to remain in an assignment location for an extended period of time, especially if the service member is pursuing a more-technical career path. Also, the military could offer assistance to enable employed spouses who are relocating to continue working remotely for their existing employer, such as by subsidizing telecommuting expenses (e.g., home offices) and occasional work travel to their previous location. This comprehensive effort should include policies as varied as utilizing federal special-hiring authority for military spouses, tax incentives for private businesses, incentivizing federal contract awards for military-spouse-owned businesses, as well as partnerships between the Defense Department and private-sector employers.

Rationale

The majority of American families are dual-income families; 60 percent of married couples with minor children are households where both parents work outside of the home.⁶³ However, less than half of military spouses are employed.⁶⁴ For most military families, the service member's paycheck is the only income and as such must provide for the entire family. Increasing spouse employment improves military-family financial security and reduces pressure to increase military pay and benefits. This is not unique to the military, as many of the nation's universities face similar challenges when hiring faculty. Since many institutions of higher education are located in smaller cities with fewer job opportunities, it can be difficult for spouses of prospective faculty to find suitable work, which harms recruiting efforts. To counter this dynamic, some universities have implemented dual-hiring policies with job-placement assistance for spouses. The military faces similar challenges, and those challenges will only continue to grow as the force fights to retain high performers in uniform.

F-2: Create an online database to automate and increase service-member influence over future military assignments.

Create a pilot program within each service that provides service members more influence over their future assignments and allows commanders greater input in staffing decisions. For the pilot program, all assignment vacancies within a selected population will be posted on an internal website with a detailed job description. Service members will establish online profiles with specified data about their background, experience, and interests. After reviewing available assignment vacancies, service members will apply for desired positions. Commanders will review service-member profiles and contact individuals who have applied for their available position vacancies. Commanders will rank their preferred candidates and service members will rank their preferred positions. Based on this information, assignment matches will be automatically generated by the computer system and then reviewed and validated (and modified if necessary to meet military needs) by personnel officers. Relocation orders will be quickly issued for reassignment and transfer.

Each service will implement a long-term (at least five years) trial that would encompass a range of career fields, including operational and administrative specialties. Pilot programs will be evaluated periodically for their impact on unit performance, individual performance, retention, commander satisfaction with selectees, service-member satisfaction with assignments, and impact on the national security mission.

Rationale

Personnel assignment systems, while prioritizing needs of the service and mission, must be appealing to all Americans with an ability to serve. Assignment processes should ensure that personnel are assigned to positions that best reflect their

individual skills and interests. The assignment pilot program will be competitive, and in some cases, service members may still not receive their preferred assignment.

Assignments closely aligned to a service member's unique knowledge, skills, and abilities are more likely to enhance individual and unit performance, in addition to serving as a strong retention tool. The Army implemented a trial program called "Green Pages" to test a similar idea and achieved noteworthy results.⁶⁵ Forty-nine percent of officers modified their preferred assignments once they were provided more information about potential assignments and jobs. Additionally, 35 percent of officers received their top assignment choice, while at the same time, most commanders were able to fill their vacancies with one of their top five officers. These are positive and encouraging outcomes for both service members (who will more often receive appealing assignments) and commanders (who will have a greater ability to shape their organizations).

An additional dimension to this program may involve a locational bonus. Given the nature of military life, there will always be assignments in relatively unappealing locations. Assigning people to locations where they do not desire to serve creates morale issues as well as possible personal hardships. Using a market approach may also help fill hard-to-fill positions by increasing their financial appeal.

If successful, this assignment pilot could be gradually expanded to include larger and more-diverse career fields for both officer and enlisted populations. Success should be judged by similar metrics as used by the Green Pages program. Following the assignment-matching process, service members and commanders should be surveyed regarding the efficacy of the program and processes and individual and command satisfaction. This new approach to assignments will potentially reduce the size of personnel-management organizations. Those personnel savings can then be applied to critical manpower needs.

F-3: Enhance and expand the Selective Service System to include all young American adults.

Create a gender-equal Selective Service System (SSS) that gathers more data about the unique skills and experiences of registrants. Important information gathered through this system could include language or cultural skills, educational qualifications, or other technical qualifications. This database should allow the military to more easily identify and focus specialized recruiting efforts on individuals with demonstrated high-demand skills and aptitude. During a crisis, this information could enable a "smart draft" that quickly allows the military to bring in critical talent.

Rationale

Today's SSS is a remnant of military recruiting created prior to the establishment of an all-volunteer force and is not useful for developing the increasingly adaptable force the nation will need in the future. The current system is limited to males and only requires basic identifying information, making it only useful for the enhancement of military manpower through mass-conscription—which is unlikely to occur and equally unlikely to be helpful in future conflicts.

An enhanced SSS that collects more detailed registrant information should be used as a recruiting tool that allows the military to identify both men and women who have relevant skills. Expansion of the registration requirement to women and better utilization of SSS data should also enhance society's interactions with and connection to the military.

F-4: Require Selective Service registrants to complete the military vocational aptitude test.

Require completion of the Armed Services Vocational Aptitude Battery (ASVAB) as part of the registration process for SSS. Some high-school students have the opportunity to take the ASVAB-CEP (Career Exploration Program), a version of the test that has been modified to assist with career planning.

Those who have not already completed the ASVAB could take the ASVAB-CEP at a testing center in order to register for SSS. Most males between the ages of 18 and 25 who are U.S. citizens or permanent residents are required by law to register for SSS. (This requirement would be expanded to females if the above recommendation were adopted.) Those who do not register as required can currently be denied federal student aid, driver's licenses, and job training. Students who take the ASVAB-CEP may choose whether or not their test results will be shared with military recruiters.

Rationale

The civilian-military divide is a societal barrier that is an unintended consequence of the transition to an all-volunteer, professional force. The smaller size of the professional military means that fewer Americans consider military service a possible career option. This dynamic prevents the Defense Department from accessing large parts of the nation's diverse talent pool, which is one of America's enduring strategic advantages.

Administration of the ASVAB, a test designed to identify skills and interests relevant to military careers, as part of the SSS registration process would expose millions of younger Americans to the possibility of military service. With the permission of registrants, ASVAB scores would be forwarded to recruiters, who would then have the opportunity to engage students with a propensity to serve. Additionally, test results could be included in SSS databases, allowing the military to quickly identify individuals with certain skillsets if required for rapid mobilization. Sharing this information with, or making it available to the recruiting force, may allow them to focus on specific individuals who might fill important vocational roles.

F-5: Expand the Reserve Officer Training Corps program to all levels of higher education, including postgraduate and community-college students.

Build upon the Reserve Officer Training Corps' (ROTC) 100-year track record of success by creating new programs to cover postgraduate students and students at community colleges. Postgraduate students could be offered an officer commission at an advanced rank as recognition for their more-advanced education. Community-college students could be recruited to serve as warrant officer technical specialists, depending on the needs of the military and the skills of the individual. Providing this option of lateral entry for specialists is essentially identical to the approach used for medical-corps doctors and lawyers. Under the existing pay structure, such an approach provides a mechanism for both attracting needed talent and compensating them at a slightly higher rate than would otherwise be feasible.

Rationale

Reserve Officer Training Corps (ROTC) programs serve as a valuable way to recruit new military officers and close the civilian-military divide. Today, ROTC programs operate at hundreds of colleges and universities. ROTC scholarships are offered primarily to undergraduate students in exchange for a requirement to serve on active duty in the armed forces. By expanding the program to cover a more-diverse student population, the Pentagon can expand its reach to account for the many ways Americans receive higher education today. Many more students continue their learning immediately following their undergraduate experience, yet the military does little to recruit these graduate students into the force.

Similarly, as community-college attendance continues to climb, the military applies the same recruiting techniques to these students as it does to those who are looking to enlist directly out of high school. A more-formal ROTC-like recruitment program could take advantage of the technical skills typically learned in a community-college environment.

F-6: Improve and synergize online military recruiting efforts by creating a cross-service common application and by expanding web-based recruiting tools.

Optimize recruiting by closing and consolidating some “brick-and-mortar” recruiting offices to free up resources for a more-robust online recruiting system. E-recruiting is a more-effective way to appeal to a demographic that is more comfortable with digital processes and less likely to walk into a physical recruiting center. Current digital platforms are insufficient and disjointed. Active and reserve components and individual services use different systems for their officer and enlisted cohorts. The U.S. military fights as a joint, total force. Therefore, its recruiting efforts should be organized as a joint operation that integrates all components (i.e., active, guard, and reserve). Too often, the different services and components are competing against each other for talent. This competition is inefficient and works against the military’s total-force mantra.

To simplify e-recruiting, the Defense Department should establish a common, online application—that can be completed using a web browser or a mobile app—to more effectively generate leads for the total joint force. This application would replace the separate service websites that currently operate as one of the primary entry points for military recruits. The common application would allow prospective recruits to express their service preference, but the application would also expose recruits to information about the other services.

Rationale

To continue streamlining military recruiting and to make it easier for prospective recruits to examine their full range of service options, the department must implement more-standardized and integrated procedures for the early stages of the recruiting process. Current service-recruiting websites are designed to generate leads for recruiters. For example, a prospective recruit creates an online profile at a website (e.g., GoArmy.com) containing information related to the recruit’s background and interests. This information is then forwarded to nearby Army recruiting offices for follow-up engagement. The current system is disjointed with each service operating its own website. If, for whatever reason, a prospective recruit is unable to join his or her desired military service, there is little opportunity for the other services to compete for that talent. As a result, the total force potentially misses an opportunity to employ a highly qualified individual who has demonstrated interest in military service. A military common application would function much like the recently implemented higher-education common application, which is a standard application form that can be submitted to multiple universities.

To gain access to the entire population of prospective military recruits, the services must meet them where they are, which today means online. Today’s prospective military recruits have never lived in a world without the internet. As hiring processes are increasingly completed online in other organizations, military recruiting should do the same. This recommendation would transform military recruiting to better align with the expectations of the next generation of service members and the military’s preferred method of fighting. According to the Defense Department, throughout the force, enlistments require processing 70 to 80 million paper documents annually. Often, new recruits must complete the same paperwork several times over. Additionally, most recruiting information must be collected in person at a recruiting office. A well-designed, easy-to-understand, online system would eliminate

the need to devote personnel to explain how to fill out forms correctly.

F-7: Improve access to and quality of Defense Department-provided child-care services.

Based on recommendations from the National Military Family Association, the Defense Department should take significant steps to increase access to child-care department wide. First, in order to increase funding for child-development centers (CDCs), the department should reinstate the authority of services to pay for CDC construction and renovation through their operations and maintenance accounts rather than through their military-construction budgets. Furthermore, to address the ongoing staffing issues at CDCs, the Pentagon must take steps to streamline the hiring and retention process for CDC staff (especially for those transferring between duty stations) and reevaluate CDC staff compensation. Next, in order to increase access for families with complex employment schedules, the department should explore options for increasing access to part-time and hourly child care. Finally, the Pentagon should take several steps to increase participation in the child-care fee-assistance program, including: increasing the number of eligible child-care providers, standardizing service requirements, and raising program awareness among military families. This recommendation will increase costs for the department, but could lead to improved retention rates, which increases the overall quality of the force.

Rationale

As has been noted by the National Military Family Association and others, expanding access to child care is a readiness issue. Results from the 2016 Blue Star Families survey indicate that adequate child care is an essential issue for service members and their spouses.⁶⁶ While the Blue Star Family survey is not a scientific poll, it does provide valuable insight through its unique questions and wide-reach. Sixty-six

percent of military families, according to the same survey, reported difficulty accessing CDCs or affording the costs associated with them.⁶⁷ Inadequate child-care services make family life more difficult for service members, increasing the likelihood that some will leave service prematurely for family reasons. This recommendation would address both parts of the issue at hand—access and cost—by increasing the number of CDCs and subsidizing their overall costs to service members. By expanding access, the Defense Department can relieve stress on military families and decrease the likelihood that service members leave the military for family-related issues.

F-8: Create on-base child-care coordinators to advocate for military families in the local community and to build private-public child-care partnerships.

The Defense Department should establish installation child-care offices modeled on installation housing offices. These child-care offices would be a one-stop shop for all on- and off-base child-care options. The installation child-care officer would partner with private child-care providers to track vacancies, create favorable pricing agreements, and make it easier for military families to access off-base child care. Additionally, the installation child-care office would work with the installation commander to ensure the base CDC and other child-care options are responsive to the community's unique needs and are providing a quality of care and caregiver-to-child ratio commensurate with civilian child-care best practices.

Commanders and child-care officers should create more opportunities for “drop-in” care by examining current operations and determining where excess capacity exists for shorter periods of time (e.g., Thursday afternoons). Pilot programs to develop innovative community-based or cooperative child-care solutions should be prioritized and

funded at all levels and in coordination with child-care officers. Local and Pentagon-level military-spouse employment professionals and the Small Business Administration should work with child-care officers to increase entrepreneurial or franchise pilot programs for military spouses interested in starting or expanding child-care businesses.

Rationale

The requirements placed on service members, such as frequent and prolonged absences, unpredictable work schedules, and geographic separation from extended family, make child-care needs more acute for military families than for many nonmilitary families. As more military spouses pursue and maintain full-time employment, the demand for child care will increase. Military families are typically unable to rely on family or friends to provide occasional child care in the same way that many geographically stable American families do. Military families relocate frequently and are often unaware of community child-care resources, such as off-base providers and trustworthy sitters. In 2008, RAND estimated that only 10 percent of military families utilized department-provided child care.⁶⁸ Yet, there are usually waiting lists for on-base care, with difficult priority policies to access on-base care. Demand will grow as more military spouses pursue full-time employment. Child-care quality and capacity must expand to meet emerging needs.

F-9: Provide proactive institutional career guidance to service members before they complete their initial service obligation to increase retention.

Establish procedures where career-field monitors and personnel officers contact service members to discuss their career options before they have the opportunity to separate from the military. For officers, this process would occur at four

years of service. To limit the demand on the personnel system, the process should apply to enlisted service members serving in critically manned or high-demand career fields as they complete their first term of enlistment.

Rationale

Career field monitors have visibility and knowledge of a certain career field (e.g., Army infantry officers). They are typically tasked with creating assignment matches and ensuring the overall personnel health of the career field. This recommendation would have monitors contact all officers under their responsibility at the four-year time-in-service mark to discuss that individual officer's interests in future military service, options for future assignments, promotion prospects, and any other general personnel concerns. For this recommendation to be successful at providing individuals a greater understanding of their military career options, the services must ensure that their personnel centers continue to be manned with high-quality people who have a strong understanding of personnel policy.

This proactive approach, rather than the traditional reactive approach, where the service member must contact the personnel monitor, would help provide a realistic career assessment for younger officers and enlisted service members who may or may not be considering separating from the military. While high performers would be encouraged to stay, in some cases, career field monitors might encourage low-performing service members to consider leaving the military.

Proactively engaging with service members has the added benefit of providing new insights to the military as an institution. The interactions created by this recommendation would allow service members to communicate their concerns to the personnel system directly. Survey data in this area is limited, so these qualitative assessments could be of enormous value.

In no way should this recommendation relieve supervisors of the responsibility to provide career mentorship to their subordinates. Rather, this recommendation seeks to augment that relationship by creating a stronger institutional tie to the service.

The current institutional personnel system is mostly indifferent to the retention decisions of individual service members. Individuals are left to their own devices and to their local chains of command when it comes to determining their potential for future advancement or options for continued service. This places the military at risk for losing talented junior service members early in their careers.

Most officers are required to serve only four or five years on active duty after gaining their commission. Initial terms of enlistment can be as short as three years. At the moment, there is no systematic process to provide proactive institutional career guidance for these individuals when their first required term of service ends. For officers, the military does not attempt to identify top performers until around the ten-year mark, when they are being considered for promotion to O-4. For enlisted members, such a process may not occur until much later.

As currently constructed, the personnel system misses out on a large cohort of officer and enlisted personnel whose service commitments expire long before the military offers formal guidance and feedback on their career prospects. While the most talented service members will always have career options outside of military service, if the military wants to retain the talent it has already recruited, it must proactively engage early on before they have the chance to leave.

F-10: Conduct exit interviews to evaluate the quality and rationale of separating service members.

Conduct comprehensive exit interviews with those service members leaving the military and civil service. Including the

exit interview as part of the current transition-assistance program would incentivize completion of the interviews. To be most useful, exit-interview data should be tracked against individual performance and disciplinary records.

Additionally, establish a review of separating-personnel performance records to determine whether the military is retaining top performers. This process would run similar to today's military promotion boards. The records of recently separated service members would be ranked and compared against those service members who remain, thereby allowing policymakers to more accurately determine the effectiveness of military personnel policy. While this process is likely to be limited to officers and senior-enlisted personnel due to the smaller populations, a board-like review of separation records would provide valuable insight where none currently exists.

As the separation-records review boards are conducted, the department should take a deliberate approach to ensure the process is providing useful information. Smaller segments of separating personnel should be reviewed and the process refined before expanding the reviews to the entire force.

Rationale

As the military implements innovative personnel policies, it will be increasingly important for defense leaders to understand the impact of those policies in retaining a high-quality force. Currently, the military has no quantitative way to determine if its highest performers are leaving the military earlier than expected. Additionally, the Pentagon is unable to effectively collect the various reasons and motivators that are leading individuals to leave the military. This data could lead to more-tailored and effective recruiting and retention policies.

F-11: Align, where relevant and possible, military training with civilian professional licensing and certification requirements.

The department has ongoing efforts to obtain civilian certifications for service members in areas where military and civilian job specialties overlap. These efforts should be continued and intensified. The department should evaluate all training programs for applicability to civilian credentials, adjust programs when necessary to meet civilian requirements (as long as such adjustments do not undermine military needs), and ensure that service members receive such credentials when requirements are met.

Further, many military occupations provide training and experience that is relevant for civilian occupations that are licensed and regulated by the states. Translating this military experience into a new civilian career for separating service members, however, can be very difficult in practice. The department should convene interested states and national professional associations to determine and support approaches that could ease the transition for former service members with relevant military training into new, civilian occupations.

Military spouses who work in licensed occupations face a related challenge. Frequent moves, combined with varying and complex state-licensing requirements, can inhibit military spouses from continuing their career amid frequent, interstate moves. As part of the proposed effort by the

department to convene interested states and national professional associations, solutions should be developed to help military spouses who are already licensed in at least one state to obtain licensure to practice in another state. To their credit, the Pentagon has recognized this as an issue and has taken some steps to improve certification reciprocity across state lines.

Rationale

To foster a culture of permeability between the Defense Department and the private sector, and to further close the civilian-military divide, service members should have skills that benefit not just the military but also the private sector. The military has recognized this need with its existing efforts to obtain civilian credentials for service members, and these efforts should be continued and expanded. Certain career fields—like health care, engineering, aviation, and program management—are especially suited to civilian credentialing, which could also support improved force permeability. These personnel may be most interested in continuing their service through the reserve component while they maintain their skill currency in the private sector. Also, greater civilian credentialing could improve post-military employment outcomes among separated service members, while offering a platform for the department to also address similar challenges faced by military spouses who work in licensed fields.

Adaptable to New Threats as They Arise

A military comfortable with change is an imperative for the future security environment. National security leaders cannot precisely predict the future, so the military must be flexible and adaptable. Throughout the nation's wars, American fighting men and women have demonstrated nimbleness and agility in quickly assessing their environments and initiating necessary adjustments to complete their missions. The personnel and acquisition systems that support service members should be similarly adaptable. Current personnel systems are rigid, calcified, and outdated. Therefore, the following recommendations seek to improve the personnel system's ability to quickly respond to new demands. The future military personnel system must ensure that the right people are available for the right mission at the right time.

A-1: Replace predetermined, time-dependent promotions with a fully merit-based military-promotion model.

To increase the flexibility of the personnel system, the military should shift away from a promotion system that is heavily influenced by predetermined timelines. Rather, the personnel system should embrace greater consideration of merit when promoting officers and enlisted service members. A merit-based model should rely more on the performance and experience of individual personnel and less on predetermined timelines.

This recommendation might cause some individuals to be promoted sooner than normal. Some would likely be promoted later than current timelines. These are both desirable outcomes. The military will benefit if its most talented personnel, who meet the requirements for promotion, are promoted ahead of their peers. The military also benefits from allowing individuals more time to develop, to pursue education, or to build a greater level of technical expertise

before being promoted to higher rank. Most importantly, this system would allow the military to ensure all individuals selected for promotion are truly capable of assuming increased responsibility, regardless of the year they entered active service.

Rationale

A more-agile military must have a flexible promotion scheme for its personnel. Current promotion systems rely heavily on preordained timelines, which were originally implemented to prepare the 20th-century military to fight the Cold War. While these timelines may still be appropriate for the majority of the force, some service members undoubtedly would contribute greater value to the military by being promoted earlier or later than standard timelines.

New retirement authorities combined with other personnel authorities recommended in this report would—if embraced by department leadership—introduce a new level of flexibility to today's rigid personnel system. The services should explore how a more-agile system can ensure the most-talented performers are promoted based on their ability to take on increased responsibility, not based on preordained timelines.

Military performance reports are already utilized to assess service-member strengths and weaknesses. Each military service uses their own process to assess the performance of their personnel. As the military moves toward a more time-independent, merit-based approach, performance reports will take on a higher level of importance. The military must ensure that its performance rating systems are capable of accurately measuring each individual service member's abilities, skills, and future military value. For some services, this recommendation may require substantial changes to performance rating systems.

This recommendation would require a major culture change for a military that is used to a predictable promotion timeline and defined career paths for its personnel. Some service members

would be reluctant to move toward a merit-based system, but a great many would embrace a system that rewards effort and performance as the most important factors in determining who is promoted and when.

A-2: Revamp military manpower assumptions to allow for flexible career timelines and adaptable personnel policy.

As new personnel policies are implemented, the Defense Department should conduct a thorough review of—and modify as necessary—its manpower planning assumptions (i.e., the optimal number of personnel at each rank, grade, and experience level) for the active and reserve components as well as defense civil servants. Updated manpower requirements could benefit from new personnel policy variables like lateral entry, flexible career lengths, technical promotion paths, revised pay tables, and the new retirement system.

The outcome of this review will include new recruiting and retention goals for each service and occupational specialty. Additionally, as military careers become more flexible, the Pentagon should determine the ideal career tenure for each military specialty. In some cases, an extended (beyond 20-year) career may be most desirable. In other cases, a much shorter career may meet the military's needs. Some service members should be supported in decisions to have a break in service to gain outside experience, start a family, or obtain advanced education.

Rationale

The military is confronting a new and complex security environment that is vastly different from what was envisioned when current personnel policies were established. For military personnel, the current 20-year retirement system, in place since the end of World War II, effectively ensured that the vast majority of career service members left the military in their late 30s or early 40s. No longer can the military afford to lose its most-experienced service members at such an early age.

The battlefields of the future, whether on the ground, in the air, on the sea, or in space and cyberspace, will require the knowledge and skills of a highly experienced force. In addition to retaining long-serving service members beyond 20 years, capabilities could also be tapped through expanded lateral entry (discussed on page 61) to obtain highly experienced, midcareer talent.

The up-or-out personnel system forces military personnel planners to predict their future manpower needs far in advance. For example, because most officers must join the military at the lowest rank, if the military decides it needs a civil engineer with 15 years of experience, it will take the military 15 years to grow that officer internally. The military knows how many lieutenants and ensigns it must recruit each year to produce the required number of senior officers 20 years down the line.

The implementation of the new military retirement system, which pairs a reduced pension benefit with a defined-contribution savings plan, means that the military has the opportunity to ensure it is only retaining personnel who still provide high value to the service. The Pentagon should not be required to retain a service member with 15 years of service for the sole purpose of ensuring they receive pension and health care benefits. Retention decisions should be based purely on the evolving needs of the military. This new retirement system also facilitates incentives for 20-year service members to continue their service as well as for experienced lateral entrants who will not likely stay for 20 years. The new retirement system could potentially catalyze the biggest realignment in the military's overall personnel structure since the military discontinued conscription.

Further necessitating a consolidated review of military manpower requirements is the fundamental transformation of the role of defense civil servants. These 740,000 civilian employees serve in roles that were never envisioned when the current personnel systems were created. And while military

manpower is strictly managed at the highest levels of the Pentagon, civilian manpower is largely decentralized and disjointed in both management and policy.

A comprehensive study of the appropriate roles and the mix of different personnel types is required to ensure the military is using its people efficiently and effectively.

A-3: Create a continuum of service by making it easier to repeatedly transition between active, guard, and reserve components.

Combine the Defense Officer Personnel Management Act (DOPMA) and the Reserve Officer Personnel Management Act (ROPMA) into one unified officer-management statute. Eliminate the requirement for different officer commissions and enable greater permeability between active and reserve components.

Create a culture of permeability that supports a continuum-of-service paradigm. Provide greater opportunities to transition among the active, guard, and reserve components. Reserve-component service should be an option throughout a military career. Additionally, encourage those service members leaving active duty to consider reserve-component service by extending the reserve-position-vacancy window beyond the date of separation from active duty.

As the military shifts and continues to rely on a more-operational reserve force, these units must be well resourced and provided the proper level of training and equipment. A ready reserve force will serve as an additional recruiting incentive to those considering transferring from active duty. Increased resourcing would also assist in changing the cultural stigmas associated with reserve forces.

Rationale

As the military strives to become more adaptable and to better respond to an unpredictable security environment, it should ensure it has the ability to quickly access talent in its

reserves. Additionally, the Pentagon should ensure that it maintains a relationship with experienced service members who desire to leave active duty by establishing seamless processes to transfer to the reserves. To achieve this level of active-reserve permeability, federal law must be changed.

Current law requires officers who desire to transition between the active and reserve component to gain a separate reserve-officer commission. This process takes up to six months and likely discourages many highly qualified personnel from continuing to serve in the reserves. Conversely, it is exceedingly difficult to transition from the reserve component into the active component, again requiring a different commission. Permeability between the active and reserve components must be facilitated through a new, consolidated officer-personnel-management statute, which would handle all aspects of total-force officer management including commissions, accessions, promotions, rank quotas, pay tables, etc.

One of the biggest obstacles to active-reserve permeability is a cultural perception that reserve service members are less qualified or less important than their active-duty counterparts. Although reservists do not receive the same level or volume of training as the active-duty service members, they offer the ability to quickly incorporate needed talent as individual performers for the total force. Further, the reserve component has great potential to contribute in specialties that are more-immediately transferable from civilian occupations, such as health care, public affairs, and cybersecurity—yet current policy doesn't maximize this potential. Especially after considerable resources are spent training service members, the military is missing an opportunity when only a small percentage choose to remain in the reserves following completion of active-duty service. If the reserve component is utilized effectively, it can be a valuable source of uniformed talent, with the added benefit of valuable private-sector experience, oftentimes at a lower cost.

A-4: Expand lateral-entry authority to allow midcareer civilians to enter the military at higher ranks.

Allow individuals with noncombat-specific skills (e.g., acquisition, cyber, finance, engineering, medical, law) to enter the military at higher ranks in the officer, warrant officer, and enlisted corps. Additionally, lateral-entry authority could be used to reincorporate individuals with prior service who desire to reenter the military. Those who have acquired valuable skills after their military service could be allowed to rejoin at a higher rank. In previous wars, this avenue for lateral entry was frequently used. For example, during World War II, William S. Paley, the co-founder of CBS, was brought into the Army as a colonel to work in psychological operations using the broadcast medium. The FY17 National Defense Authorization Act lateral-entry pilot program for cyber personnel should be expanded to cover more occupational specialties.

Rationale

Quickly evolving security challenges mean that the military needs to be able to swiftly bring in personnel with necessary skills and experience. Today's personnel system forces the military to anticipate personnel needs years in advance due to strict entry requirements. Current policy requires nearly all military personnel to join the military at the lowest ranks of both the officer and enlisted corps. Lateral entry is allowed for medical, legal, and chaplain personnel, but it is currently limited by statute to these specific career fields and to a maximum entry rank of O-4. By opening up more-advanced ranks for initial entry into active-duty service, the military would be better positioned to attract certain highly skilled personnel. The Air Force has said that in addition to areas like cybersecurity, they could use expanded lateral-entry authority to access personnel with experience in public affairs. The Navy would stand to benefit from having expert technicians enlist at noncommissioned officer ranks, while the Army would relish the chance of having a native-born Pakistani join as a warrant-officer linguist.

A-5: Create a separate and unique personnel system for all Defense Department civilian employees.

Move all Defense Department civil servants from Title 5 (under the authority of the Office of Personnel Management) to Title 10 (under the authority of the Defense Department) to allow the defense secretary to customize a system to control hiring, management, compensation, and retention policies for the defense-civilian workforce. As part of this reform, any civilian working for a joint command should be managed under the Defense Department's personnel system, not those of individual services.

Rationale

Defense Department civilian employees are a critical component of the total force. Future military success relies not just on the skills and abilities of uniformed personnel but also on the civil servants who support them. The Defense Department needs a comprehensive set of hiring and personnel-management authorities that enable it to acquire, develop, and retain its civilian workforce. There are currently 66 different civilian-personnel systems within the department, each with different rules and flexibilities.⁶⁹ Some of those personnel systems work very well (e.g., the Defense Department Science and Technology Laboratory Demonstration Program), but two-thirds of the defense-civilian workforce is hired and managed under Title 5 "competitive service" authorities, which is administered by the Office of Personnel Management.

The current Title 5 General Schedule (GS) personnel system is outdated and rigid, designed for a very different type of workforce than the professionals who work for the department today. The system limits advancement opportunities and most merit-based pay raises. Another issue with the civilian personnel system is the lack of flexibility to hire and fire employees in a timely manner. Since the system's primary

rationale is fairness and impartiality (especially to ensure that personnel decisions other than at the highest levels are not made for political reasons, such as a change of administration), it is exceedingly difficult to remove low performers.

The disjointed nature of civilian-personnel management creates challenges for various organizations within the department, such as combatant-command headquarters, which must rely on local-installation civilian-personnel offices instead of having access to a Defense Department or joint office. This creates inefficiencies and confusion as civilians working for different services follow different standards and policies.

A-6: Establish pay bands for all defense-civilian employees.

As part of expanding the defense secretary's authority over Pentagon civilian employees, a simplified job-classification system should be established for professional and administrative positions, which would condense the GS system into a smaller number of pay bands to more closely align with the knowledge and work that most defense-civilian employees currently perform. These pay bands should be designed to enable employees to progress based on their technical expertise, not just on the number of people they supervise.

Rationale

One of the main problems with the General Schedule civilian personnel system is the inability to reward high performers while also failing to hold low performers accountable. Pay bands allow for more customization of civilian pay tables, which form the foundation for effective performance incentives. High performers can be rewarded with merit-based pay raises within a predetermined pay band. Low performers can be held accountable with reduced opportunities for increased cash compensation. By more closely aligning the pay and compensation systems of civilian

employees with the actual work they are performing, the department can become a more-attractive employer to prospective employees.

A-7: Create rapid-recruiting organizations and processes within each service to expedite processing of nonstandard military recruits.

The Defense Department recently established "Rapid Capability Offices" to more quickly acquire new equipment and technology. In that same vein, the services should each establish a "Rapid Recruiting Office" (RRO) that would allow the military to quickly process recruits who may not come from the military's normal talent pools. The RRO would report directly to the head of each component's recruiting command to ensure swift processing of waivers, fast policy guidance, and proper authority. Prospective service members who might require waivers or other special authorities to join the military on either active or reserve duty would be forwarded to the RRO by their initial recruiter.

Rationale

The military recruiting process is designed to process tens of thousands of individuals every year. In order to do this efficiently, the process has been standardized. Most new enlisted recruits enter the military between ages 18 and 22. Officers generally commission before age 25. As with any standardized process, it is poorly equipped to handle cases where individuals may have unique circumstances (e.g., older than typical age, prior military service, etc.) and demand more-customized recruiting practices. The current process for special recruiting works through the chain of command from the local recruiting outpost, through regional offices, and then ultimately to higher headquarters. This process is onerous and can take months to process waivers and obtain special guidance. The lengthy process will dissuade many qualified recruits from joining the military.

A-8: Establish specialized recruiting offices focused on attracting individuals with critical skills.

The military should leverage technology to operate small, joint recruiting offices focused on critical skills identified by Pentagon leaders. These offices would have a large online presence and would take advantage of existing civilian systems like LinkedIn.com to attract individuals to military service. They would interact directly with high-end talent and would also match individuals to the branch of service that would most benefit from each recruit's unique talents and experience. These would be joint offices in order to reduce inter-service competition and meet specialized recruiting needs more strategically. For example, if the department needs more cybersecurity professionals, the joint force is best served by a unified recruiting effort rather than a disjointed, competitive process.

Rationale

Current military recruiting practices are largely able to meet quantity metrics (i.e., numbers of recruits) but are less adept at meeting specific quality metrics. Brick-and-mortar recruiting offices are less effective at attracting high-end individuals with critical skills in emerging areas like cybersecurity and foreign-capacity building. Specialized recruiting offices would be proactive in identifying and engaging with individuals who possess the unique skills demanded by the department.

A-9: Establish better enterprise management of the military health care system to improve access to high-quality, modern, and efficiently delivered health care services.

Until now, the management of individual military treatment facilities and supervision of providers has been left to each individual service. This has resulted in service duplication,

suboptimal utilization, higher spending, and reduced readiness of military health care providers. As part of the Fiscal Year (FY) 2017 defense-authorization law, Congress directed the Pentagon to unify authority and accountability for the Military Health System in the Defense Health Agency and provided several new authorities to facilitate system reorganization and improvement. The department should make full use of these authorities to establish better enterprise management of the Military Health System, enabling further reforms to improve care quality, provider readiness, and system efficiency. For example, expanded telehealth services would improve access to care and increase efficiency, and new specialty centers of excellence—using uniform best-practice care standards—would ensure military providers see an adequate volume of cases to maintain top proficiency, would provide beneficiaries with the highest quality of care in a timely manner, and would avoid the cost of operating underutilized facilities. Partnerships among the military, civilian, and VA health systems would be an essential tactic to achieve these goals. For example, military trauma-care professionals would be embedded for long-term assignments at civilian trauma-care centers to maintain experience when not deployed. Military providers who need additional volume to maintain proficiency would treat civilian and VA patients in addition to TRICARE beneficiaries. And capabilities that are not needed for a ready medical force might be delivered to TRICARE beneficiaries in partnership with civilian systems. To facilitate all of these reforms and to promote high-quality care, the Military Health System would collect modern metrics that conform to existing, widely accepted standards, such as those already adopted by private-sector health care payers and Medicare.

Rationale

The Military Health System intersects with the personnel system in at least three important ways: it is responsible for ensuring that service members, in general, are medically ready to do their jobs; it must ensure that the medical corps maintains an expert level of proficiency to deliver both routine

care and battlefield medicine on deployment; and it directly provides a primary employee benefit—health care—that in most other organizations is outsourced to a health insurance company. Until the reforms included in the FY 2017 defense-authorization bill are implemented, no single, department-wide agency has authority to manage the overall functioning of critical health care systems, such as trauma-care delivery, mental health, health care personnel management, and ensuring efficient and high-quality health care for service members and their families. As a result of this fragmentation and lack of accountability, military medical personnel do not experience enough cases to maintain their readiness, service members and their families wait too long to receive health care services—which may be of uneven quality—and resources are wasted through the inefficient use of facilities and personnel.

It is not an exaggeration to say that lives may be lost in future conflicts because of the failure of the existing Military Health System to maintain the readiness of mission-critical capabilities, namely trauma care. Better enterprise management of the Military Health System is therefore essential to the readiness of the medical force, but it is also necessary to improve the delivery of the timely, quality health care services that support the medical readiness of the broader force, as well as meet the nation's obligations to the health care of military families and retirees. The Pentagon should not delay in using these new authorities to address these challenges and achieve meaningful improvements in system performance on readiness, quality outcomes, the patient experience, and cost.

Sustainable for Long-Term Military Success

Military personnel systems must be financially sustainable for the department and taxpayers, and must complement—not displace—other national security needs. That said, for the past several years, the defense budget has operated within a fiscal environment that is not sustainable itself. Sufficient financial resources for the U.S. military are a baseline requirement for a consistently engaged, proactive, global force. Yet, the Budget Control Act of 2011 has been implemented in a way that does not provide financial resources for the U.S. military commensurate with the tasks it has been assigned. As a result, readiness has been degraded; shortsighted, short-term procurement savings that will only worsen long-term acquisition costs have been implemented; and a shrinking end-strength has been burdened with unsustainable workloads that have harmed retention. Given these unintended and unwelcome consequences, lawmakers should prioritize the realization of a long-term budget agreement that would replace the Budget Control Act spending caps with policies that will deliver resources to the U.S. military sufficient to meet its responsibilities in an efficient way.

Whatever the overall funding level, budgeted resources for defense should be spent judiciously to maximize readiness and to best achieve the national security mission. A high-quality, professional force must be competitively compensated, but inefficient compensation costs cannot be allowed to force out other military necessities. Honoring the commitments made to current service members, military retirees, and their families is a military necessity and a moral obligation for policymakers. However, it is also imperative to ensure that future generations of service members are competitively compensated while also having the best training and equipment available.

The recommendations in this section would promote adequate funding and efficient, effective use of resources to maintain a

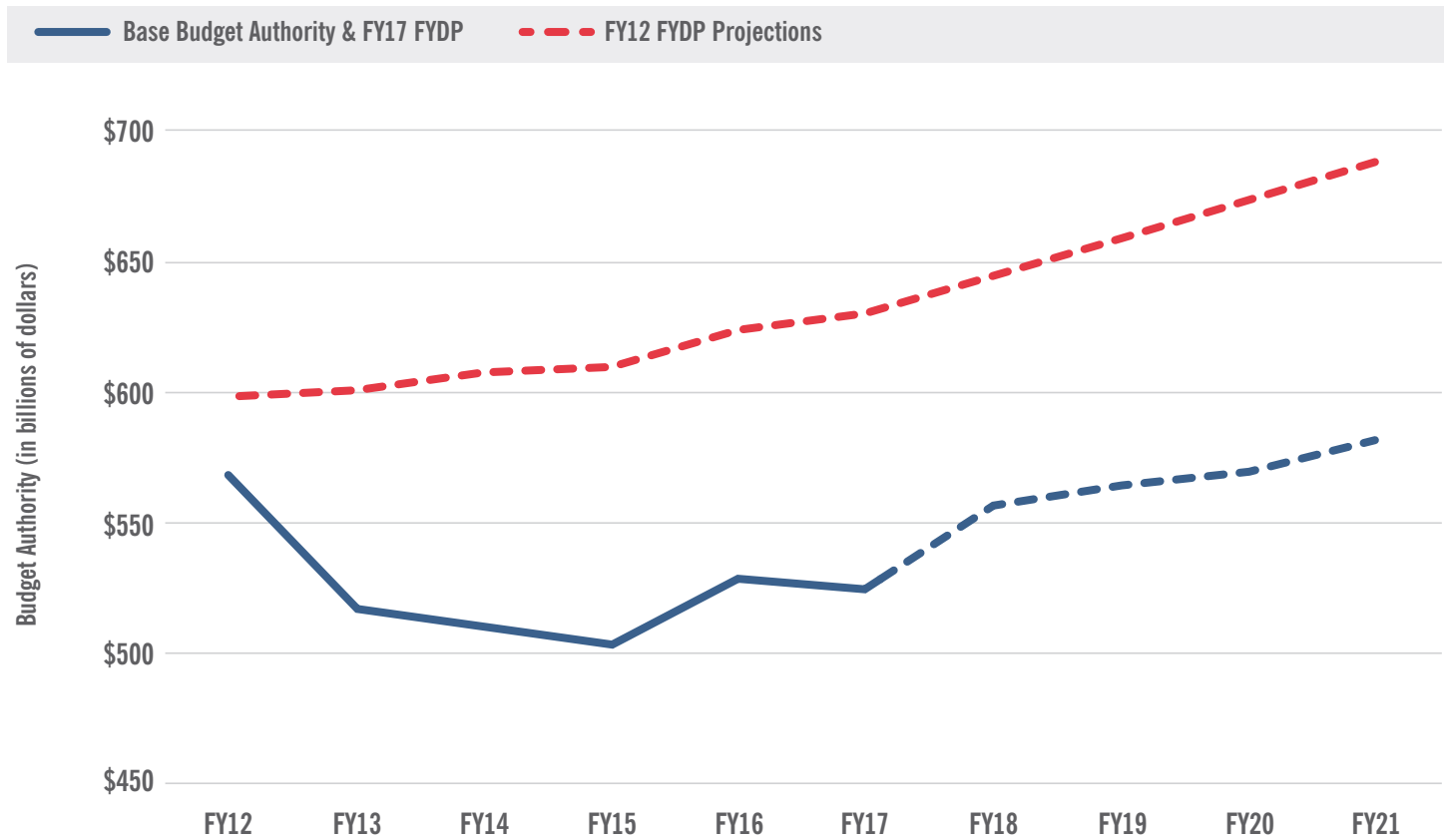
high-quality, professional force that is trained, ready, and equipped for a wide range of threats. Importantly, these recommendations also reinforce the personnel proposals in the other sections of this report. For example, greater reliance on lateral entry to meet needs for experienced manpower, increased permeability allows service members to move between active and reserve status according to military need and personal circumstances, and promotion policies optimized to retain technical expertise all have the potential to improve performance by making available additional sources of talent. But they would also meet military needs more efficiently, such as by avoiding training costs, reducing career lengths and the related costs of retiree benefits, and maintaining important expertise that is not currently being used in the lower-cost reserve component. While the proposals below would foster a more-sustainable personnel system by themselves, their contribution to greater performance and efficiency would be magnified by enthusiastic implementation of the other proposals in this report.

S-1: Replace Budget Control Act defense budget caps with a strategy-based budget that is regularly reviewed and updated.

The defense budget caps imposed by the Budget Control Act (BCA) of 2011 should be replaced with a strategically informed defense budget that funds the Pentagon at a level consistent with the global security environment given competing needs. This does not mean that defense spending should be unconstrained or that lawmakers should not challenge the department to find creative approaches or consider different priorities under alternative funding levels. Rather, under this approach, policymakers would establish a long-term spending plan that considers both strategic defense needs and realistically available resources for competing priorities.

The goal should be to give Pentagon leaders some degree of certainty for planning while recognizing—unlike the regime

Figure 10: Gates FY12 FYDP vs. Actual Funding and Carter FY17 FYDP



Note: FYDP refers to Future Years Defense Program, which is a long-term defense budget plan produced annually.

Source: Bipartisan Policy Center. *The Military Compensation Conundrum*. September 2016. 9. Available at: <http://bipartisanpolicy.org/library/defense-military-compensation/>.

established by the BCA and the practices that have prevailed in its wake—that global conditions, threats, and policymakers’ preferences for the nation’s strategy will likely change and that all participants should be prepared to make adjustments accordingly.

The task force agrees with the most recent National Defense Panel that an appropriate defense baseline would meet or exceed the level recommended by Secretary Robert Gates in his FY 2012 budget. Replacement of the BCA will require a long-term budget agreement that addresses discretionary spending, entitlement spending, and taxes. Defense spending will be an important component of such an agreement. The task force also supports a major conclusion of the National Defense Panel that current budget conditions will eventually force a future commander-in-chief to face a situation where,

“In the extreme, the United States could find itself in a position where it must either abandon an important national interest or enter a conflict for which it is not fully prepared.”⁷⁰

Further, replacement of the law by itself is necessary, but not sufficient to achieve this objective of greater budgetary stability and suitability. Elected and appointed civilian officials and uniformed leaders must continually reevaluate and be willing to make adjustments—which will necessarily require difficult tradeoffs—in order to maintain a strategy-based budget that accounts for evolving needs and developments, for defense and otherwise.

Rationale

BCA spending levels have had an especially adverse impact on military personnel. As end-strength has decreased, ongoing

responsibilities are spread among fewer service members, who have fewer operations, training, and maintenance resources with which to meet those responsibilities. Replacement of the BCA spending caps and active congressional and presidential management of the defense budget going forward is therefore necessary to address recruitment and retention challenges as well.

When the BCA was enacted in 2011, the budget caps included in the act were never intended to go into effect—rather, they were designed to catalyze a larger agreement to address the nation’s long-term fiscal challenges, an imbalance between revenue and growth in spending driven by entitlement programs.

More concerning, when the BCA became law, several global security challenges had yet to present themselves. Russia had not yet invaded Crimea, ISIS was still nascent in a relatively stable Iraq, China had not yet embarked on its campaign to claim or build new territory in the South China Sea, and Kim Jung-un had yet to succeed his father in North Korea.

In order to meet these difficult security challenges, policymakers must craft a budget that is informed by military necessity and consistent with U.S. national security strategy, given the constraints of available funding and other competing priorities. It reflects poorly upon the nation’s leaders that these vital financial decisions have been deferred for the past six years.

S-2: Replace the military pay table to ensure compensation is commensurate to increased responsibility and performance.

Congress should direct the department to establish a new pay table (to completely replace the existing pay table) that is based on rank (i.e., “time-in-grade”) rather than on time (i.e., “time-in-service”). The pay table would include a base pay for each rank, incremental pay raises based on time served at that rank, and an additional incentive pay for certain occupational specialties to sufficiently compensate high-

demand skills and experience. The final component of this pay table would be the new retirement system’s midcareer retention bonus for selected personnel. The new pay table should be designed to keep overall compensation constant. As new personnel authorities are implemented, it is likely that the overall manpower profile of the force will change (i.e., lateral entry could yield more midlevel officers while also requiring fewer junior or senior ranking officers). This new time-in-grade-based pay table would facilitate efficiency, performance, and readiness improvements to promote a more-flexible force.

Rationale

The current military pay table is based on rank and cumulative time-in-service. The time-in-service model is ill equipped for new personnel authorities like lateral entry, permeability, and shorter- or longer-than-traditional career lengths. For example, under the current system, a new lateral-entry major with less than two years of total time-in-service would earn less than a captain with four years of total experience. A time-in-grade-based pay table ensures that each rank comes with a substantial increase in pay, which reflects the increased level of responsibility inherent with promotions. While this reform by itself should have neutral effects on overall military spending, it is necessary to support the use of proposed and existing authorities—such as lateral entry and variable career lengths—that could result in better performance and lower long-term costs.

S-3: Integrate personnel policy into the new National Defense Strategy.

The 2017 National Defense Authorization Act includes a provision to replace the Quadrennial Defense Review with a new “National Defense Strategy.” The strategy would be developed internally within the Pentagon. The secretary of defense should ensure that manpower requirements and personnel policy are addressed in a stand-alone section. The

strategy should explicitly state the manpower needed to achieve military objectives and assess the ability of current personnel policy to meet manpower needs. This review must take into account total force manpower—uniformed, government civilian, and contractor personnel. The strategy should identify key personnel shortcomings and proposed remedies. While specific personnel system remedies should be left to the defense secretary and Pentagon staff to implement, it is important that personnel concerns be integrated into the Pentagon’s strategic thinking.

As part of this review, the department should state the personnel end-strength needed to implement the desired military strategy. As a critical component of military capability, the size and cost of the force is an important issue for policymakers to confront. Additionally, the Pentagon should submit an annual report detailing how new personnel-management authorities have been used to improve the effectiveness and efficiency of the force, producing savings and helping “bend the cost curve” for military personnel. Congress should consider reinvesting reported savings in other readiness-generating activities.

Rationale

Today, most defense leaders would admit that the size of the force has shrunk below safe levels. The military, in terms of people, is too small to successfully execute the increasing number of missions it is asked to conduct. The task force does not mean to suggest in this report that a better personnel system is a substitute for the end-strength increases that the chiefs of staff have requested. These recommendations are designed to sustain the quality of personnel, strengthen their morale, and improve the efficiency of their assignments. As important as that is, it does not obviate the necessity of a force big enough to perform all of its global missions at an acceptable level of risk.

Today’s shrinking military is partly the result of a strategy document that was not properly linked to budgetary or manpower limitations. These two factors are the main limitations to an otherwise well-planned strategy. Since personnel are tasked with implementing the defense strategy, they should be a key consideration as the Pentagon determines the nation’s defense priorities and creates the national defense strategy. Yet personnel were not included as a required section in the now-defunct Quadrennial Defense Review process.

Many of the new authorities detailed in this report have the potential, if implemented correctly, to result in improved performance at a lower cost to the department. For example, lateral entry allows the military to obtain experienced personnel who might serve for shorter periods of time. This could increase capabilities while reducing retiree benefit costs, since those serving for shorter tenures would be compensated under the Thrift Savings Plan element of the new military retirement system (versus receiving a half-basic-pay annuity starting in their early 40s).

Greater permeability between the active and reserve components could produce significant savings in base pay and retirement costs. One of the top complaints of Pentagon leaders over the last several years has been the regular growth in the cost of military personnel. In order to reinforce the importance of using proposed and existing authorities to improve the performance and efficiency of the personnel system, the Pentagon would be required to produce an annual report for Congress as part of its budget submission. This report would detail performance improvements and the savings it expects to realize as a result of these personnel reforms. In turn, Congress should use this information as it plans investments in other defense requirements, such as operations and maintenance, which affect readiness and capabilities important for achieving the national security mission. If the Defense Department were

able to achieve just a 10 percent reduction in its retirement pension and health care accounts, the savings would amount to approximately \$2.3 billion per year.

Currently, there is no regular assessment of military personnel or manpower policy and their ability to deliver the strategic outcomes required by national leaders. Instead of trying to develop another mandated review or process, it would be more efficient to integrate strategic personnel planning into the department's normal strategy document.

S-4: Direct that the next Quadrennial Review of Military Compensation evaluate the current military compensation system and adjust it to deliver optimal strategic outcomes.

Congress should direct the next formal review of military compensation to examine the military compensation system within the context of the personnel requirements described in the new national defense strategy. The review should make recommendations on the structure, effectiveness, and sustainability of the compensation system. It should take into account the fully burdened lifecycle costs associated with military personnel, including an assessment of the impact of spousal unemployment and underemployment for military families. Special attention should be given to examining how new personnel authorities like lateral entry and permeability will impact the military's pay system.

Rationale

The president is required to direct an annual review of the adequacy of the pay and allowances authorized for members of the uniformed services. This review typically focuses on a variety of topics and is not necessarily linked to the latest defense strategy. As personnel requirements become a key component of the new defense strategy document, the compensation-review report should be integrated with overall military strategic concerns and support the outcomes required by the defense strategy.

S-5: Institute annual involuntary separation boards to remove low performers in over-manned specialties

As part of the annual planning, programming, budgeting, and execution process, the Pentagon should direct the services to conduct a force-shaping review that will assess personnel performance across a particular military specialty. Low performers, if not required to fill critical manpower shortfalls, would be involuntarily separated from military service.

Rationale

As the military moves away from an up-or-out promotion system, it needs a process to ensure it is still operating efficiently and not overly retaining personnel. The Defense Department requires a systematic process to evaluate military specialties and remove low performers from service.

Force shaping is the process used to systematically review personnel requirements and possibly separate service members who occupy over-manned occupational specialties. This process has only been used when budgets cuts forced a reduction in force. In the past, these involuntary separations were viewed as especially unfair to midcareer service members, who received no department-funded retirement benefit.

The new retirement system creates an environment that is conducive to a more-regular review of manpower requirements. Service members who separate at midcareer will now receive substantial, portable retirement benefits through the Thrift Savings Plan. This new system offers more opportunities to adjust the size and distribution of the force. An annual force-shaping process would provide a degree of predictability for service members. Service members would be incentivized to perform well since there is a chance they could be separated during the next force shaping.

S-6: Increase TRICARE enrollment fees for military retirees to cover 20 percent of the cost of coverage beginning in 2038 so that current service members are grandfathered in.

The Military Compensation Retirement and Modernization Commission (MCRMC) proposed to increase TRICARE enrollment fees for military retirees to 20 percent of the cost of coverage. This proposal should be enacted with two modifications: (1) the change should only apply to military retirees who enter initial service in 2018 or later, so that retirees below the grade of O-7 would not be affected by this change until calendar year 2038 at the earliest; and (2) the enrollment-fee change should apply to both TRICARE coverage for non-Medicare-eligible retirees and TRICARE For Life coverage for Medicare-eligible retirees. Officers at or above the grade of O-7 would not be grandfathered in.

Rationale

Since the current TRICARE benefit was implemented, retiree contributions to the cost of their health care have declined precipitously in real terms. As part of the FY 2017 defense-authorization law, Congress made modest changes to these out-of-pocket costs that would only affect future retirees beginning in the late 2030s. These enacted changes will still result in TRICARE enrollment fees and cost-sharing that are far lower than those included in workplace health insurance, to which many military retirees have access. For Medicare-eligible TRICARE For Life beneficiaries (typically age 65 and older), cost-sharing is substantially lower than for Medicare beneficiaries without TRICARE. While TRICARE For Life beneficiaries pay the same premiums for Medicare Part B (currently \$109 per month for most beneficiaries in 2017) as other Medicare Part B enrollees, TRICARE For Life does not include an enrollment fee or cost-sharing.⁷¹ To obtain the benefits included in TRICARE For Life, most other Medicare beneficiaries must purchase supplemental coverage, which costs an average of \$183 per month, plus Medicare Part D

prescription-drug plans, which include premiums (ranging from \$15 per month to as high as \$179 per month, depending on the plan and region) and cost-sharing (typically plans with lower premiums feature higher out-of-pocket costs for filling prescriptions), or they must enroll in a Medicare Advantage Plan, which typically also includes additional premiums and cost-sharing.^{72,73}

The modifications to TRICARE costs proposed in this recommendation—which would also only affect future service members who retire more than two decades from now (with the exception of officers at grade O-7 or above)—would improve the long-term sustainability of the TRICARE program, encourage working-age military retirees to enroll in workplace health insurance for which they are eligible, and honor the expectation that current service members and military retirees have regarding retiree health benefits.

What is TRICARE?

In addition to its role in supporting the readiness of service members, military health care is also an important benefit of military service. Service members and their families pay little or no out-of-pocket costs for TRICARE-covered health care services, such as physician's office visits, tests, surgeries, hospital stays, and prescription drugs. All active-duty service members and most dependents are enrolled in TRICARE Prime, which is similar to a civilian health maintenance organization, as care is limited to military treatment facilities and in-network civilian providers, and referrals are required to access a specialist. Service members enrolled in TRICARE Prime do not pay any out-of-pocket costs for covered services nor, generally, do dependents, unless they seek specialty care without a referral. Dependents of active-duty service members also have the option to enroll in TRICARE Standard and Extra, which is similar to the civilian preferred provider organizations; it covers out-of-network care and features limited beneficiary cost-sharing, such as a deductible (up to \$150 per person or \$300 per family).^{74,75}

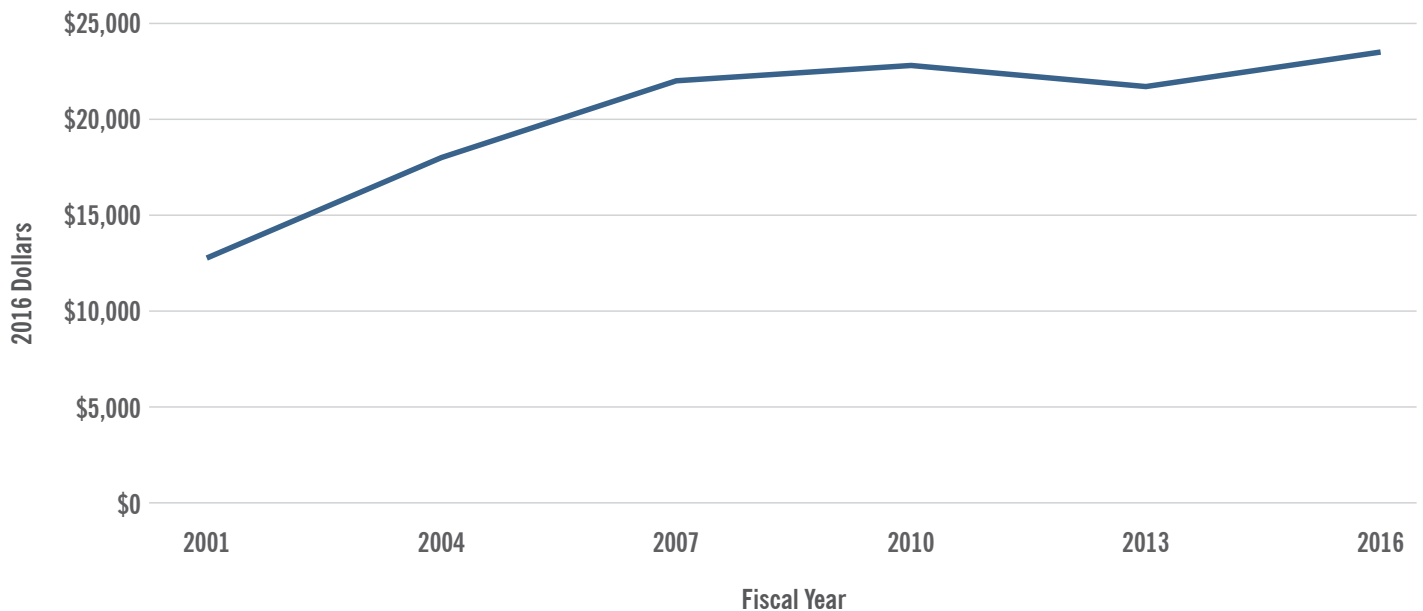
TRICARE also provides health care benefits to military retirees, who comprise more than half of TRICARE beneficiaries.⁷⁶ Working-age military retirees (under age 65) pay more for coverage than active-duty service members but significantly less than the typical out-of-pocket costs of private-sector coverage. In 2017, for example, non-Medicare-eligible military retirees enrolled in TRICARE Prime pay a \$282.60 *annual* enrollment fee (similar to a premium) for single coverage (\$565.20 for family coverage) and copayments when accessing certain services (for example, \$12 for a primary-care or specialist visit, \$25 for outpatient surgery, \$30 for a hospital

emergency-department visit).^{77,78} TRICARE Prime does not include a deductible. Future retirees (those who enter military service on or after January 1, 2018, and subsequently retire) will be subject to slightly higher enrollment fees and cost-sharing.⁷⁹

To put these costs in perspective, in employer-based health plans for 2016, the average annual contribution to premiums by employees was \$1,129 for single coverage and \$5,277 for family coverage, and about half of workers covered by workplace health plans were subject to a general annual deductible of \$1,000 or more (for single coverage) before most services would be covered by the plan, along with average copayments of \$24 for a primary-care office visit and \$38 for specialty care.⁸⁰ Benefits for military retirees who are not yet eligible for Medicare are funded from annual defense appropriations on a pay-as-you-go basis, meaning that costs for current military retirees enrolled in TRICARE Prime and TRICARE Standard and Extra are paid out of the current defense budget.

Once military retirees become eligible for Medicare (typically upon reaching age 65), they are covered by TRICARE For Life, which has no annual enrollment fee and covers all out-of-pocket costs of Medicare, fills in other coverage gaps within Medicare, and also offers drug coverage with no copayments for prescriptions filled at military pharmacies. (Beneficiaries who do not live near a military pharmacy can obtain generic drugs for a \$10 copayment and brand drugs for a \$24 copayment at in-network neighborhood pharmacies.)^{81,82} TRICARE For Life is pre-funded, meaning that funds are set aside from the current defense budget to cover the cost of TRICARE For Life for future military retirees.

Figure 11: Defense Health Program – Cost Per Active-Duty Service Member (Fiscal Years 2001 – 2016)



Note: Defense Health Program does not include spending for military personnel assigned to military treatment facilities, construction of medical facilities, and TRICARE For Life.

Source: Bipartisan Policy Center. *Health, Health Care, and a High-Performance Force*. March 2017. 12. Available at: <http://bpcdc.org/DefenseResearch>.

S-7: Offer new TRICARE option for dependents of service members to leverage employer contributions and reduce TRICARE costs.

As part of the new, annual open-enrollment period, dependents of service members who choose to decline TRICARE coverage may instead elect to receive reimbursement from TRICARE for up to \$250 per month for premiums and cost-sharing (e.g., copayments and deductibles) related to other health insurance (e.g., a workplace health plan) under which the dependent is covered. Those dependents who decline TRICARE coverage must provide proof of other insurance coverage before receiving the \$250 monthly health care allowance.

Rationale

This new option would encourage dependents who have access to other coverage to enroll in and use that coverage, leveraging their employer's contribution to health insurance premiums and reducing costs for TRICARE.

S-8: Implement evidence-based programs and policies that promote healthful behaviors among service members, encompassing physical, nutritional, and mental health.

The Defense Department should conduct a review of health and wellness programs—a similar review has already been completed for mental-health efforts—as a basis for implementing evidence-based programs and policies that promote healthy eating, physical activity, adequate sleep, and other behavioral components of maintaining a healthy and ready force. Care should be taken to ensure that reviews consider the different needs and circumstances of both the enlisted and officer populations, as well as single service members and those with families. As part of this effort, the department should ensure that education and training for

living a healthful lifestyle is integrated within every military school and training facility—from the first day of boot camp or officer training onward. Instructors and recruiters should be expected—as part of their job responsibilities—to model healthful behaviors.

Along with this review, the department should adopt practices to support healthful eating options throughout department food systems. Specifically, the department should centralize procurement, menu planning, food-service training, and nutrition education for its food operations to improve system coordination and efficiency, which would allow the department to generate savings and support the mission by improving service-member performance. The Pentagon should establish policy that institutes enterprise nutrition standards for the entire food system, including appropriated and non-

What is the Military Health System?

The U.S. military operates a comprehensive health care delivery and payment system, which includes military-run hospitals, physician's offices, pharmacies, mental-health clinics, and more, as well as a system to purchase health care services from private-sector providers. This comprehensive system, which is critical to military readiness, is known as the Military Health System, and it is charged with delivering health care benefits for service members—whether at home or on deployment—as well as military dependents and service-member retirees. (The benefit package is known as TRICARE, which is discussed in a separate box.) In FY 2016, the Military Health System provided health care for an estimated 9.4 million TRICARE beneficiaries, costing \$48 billion, roughly \$1 out of every \$12 in the defense budget that year.^{83,84}

The Military Health System is complex and has been decentralized in its organization and operation. TRICARE

beneficiaries may receive care from military treatment facilities, which are staffed by uniformed physicians, nurses, dentists, and other health professionals, as well as defense civilians, or from private-sector providers included in the TRICARE network. Some functions, such as the operation of TRICARE health plans and payment to nonmilitary health care providers, are handled by the Defense Health Agency, which is supervised by the assistant secretary of defense for health affairs.⁸⁵ Military treatment facilities, such as military hospitals and clinics, have historically been managed by the separate services, although this will change soon. The FY 2017 defense-authorization law requires the department to centralize management of these treatment facilities under the Defense Health Agency for the purposes of improving the quality of services, readiness, and efficiency.

appropriated food service, commissaries, exchange convenience stores, and vending. Additionally, the department should evaluate current contracting and procurement policies to ensure that appropriate nutrition standards are established and enforced, and should require healthful products and brands when it considers adding new options to its food supply.

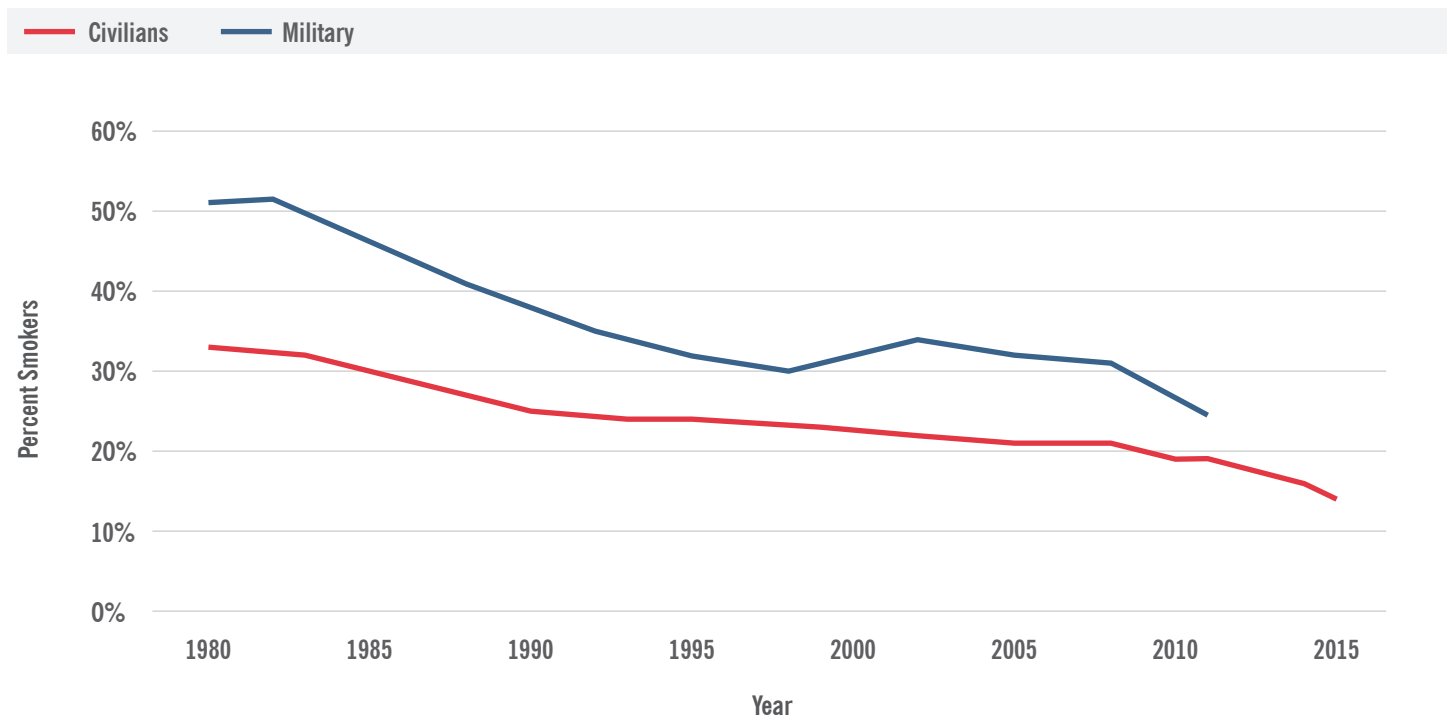
Finally, the department should apply the results from its recently completed review of mental health to establish a comprehensive, military-wide strategy for mental-health care. The end result should be an evidence-based mental-health-care program that is highly integrated with both the command and health care delivery structures.

Rationale

Currently, programs that promote health and wellness are largely developed and implemented at the installation level,

resulting in a fragmented effort that fails to capitalize on or scale up best practices. The Pentagon has made initial efforts to recognize and evaluate these programs but has not yet undertaken a systematic review or assessment of the wellness programs offered across all bases and facilities. Building on findings from Operation LiveWell and the Healthy Base Initiative, the department has an opportunity to improve the efficiency and effectiveness of existing efforts and to increase the impact of the most promising programs. Improving health promotion for servicemen and women also has the potential to impact the health of military families, an important source of recruitment for future service members. More fundamentally, effective policies to promote healthful behaviors should improve service-member performance and retention, enhancing readiness and reducing costs, both in the short term (fewer injuries and replacement costs) and in the long run (less incidence of chronic disease and lower health care costs, especially for TRICARE retirees).

Figure 12: Smoking Rates in Active-Duty Military and Civilian Adults



Source: Bipartisan Policy Center. *Health, Health Care, and a High-Performance Force*. March 2017. 10. Available at: <http://bpcdc.org/DefenseResearch>.

In particular, the department’s practices in acquiring, preparing, and serving food on installations greatly affect the health, performance, and wellbeing of service members and their families. The infrastructure for supplying on-base meals is complex and uncoordinated, due in part to the fact that various food providers are funded and managed separately. Congress appropriates funds for dining facilities and commissaries, while snack bars, vending machines, and branded restaurant chains operated by the military exchanges do not receive tax dollars and therefore must cover all costs through sales of food and beverages. While many decision-makers, regulations, and delivery systems are involved in the department’s food operations, the department could take several actions that would improve not only the healthfulness of choices available to service members and their families, but also the efficiency of its food system.

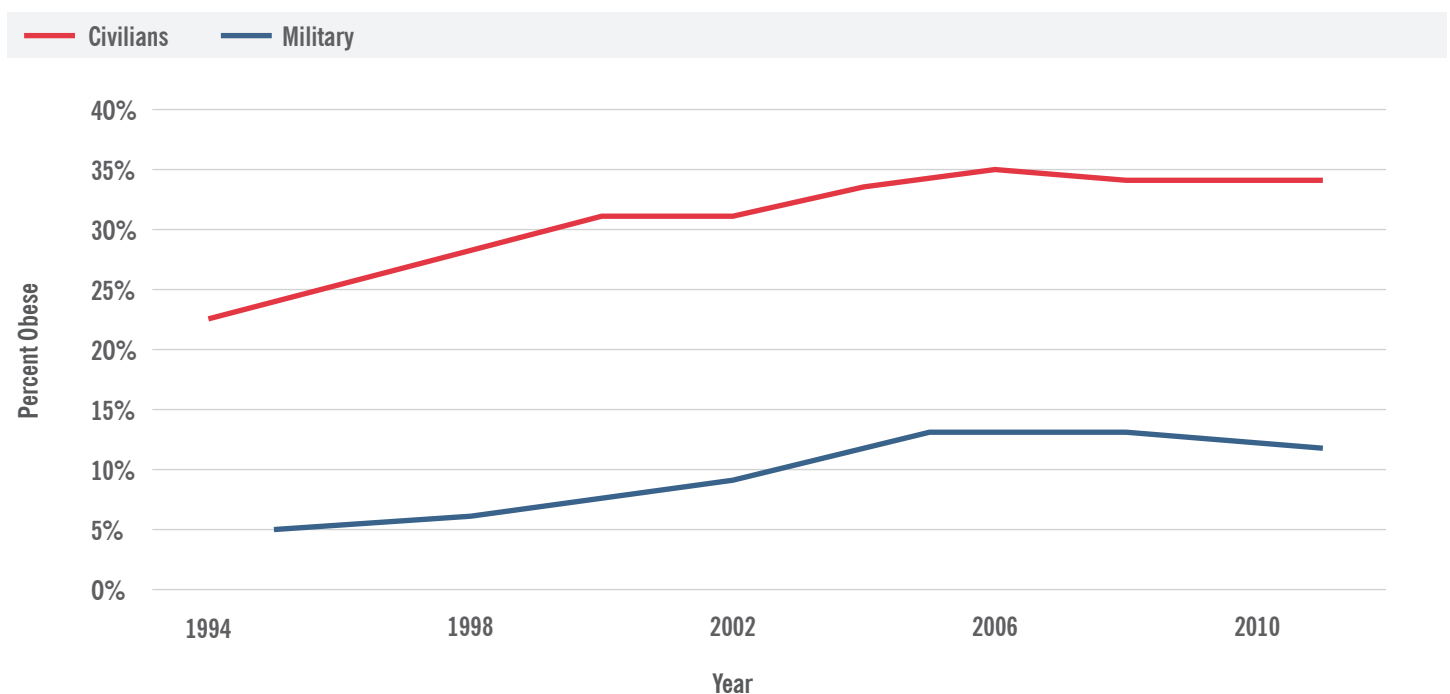
With so many dining environments on military installations, it will take a coordinated effort across many silos to improve the entirety of the Pentagon’s food system. But, in order to

maintain a force that is mission-ready, the department must provide service members with the tools to stay fit, healthy, and ready to fight, and nutritious food is critical to that.

The department has already made significant progress on improving the availability of mental- and behavioral-health services. Use of behavioral-health care by service members and dependents has grown substantially in recent years, from 1.1 million encounters in 2003 to 3.3 million encounters in 2014.⁸⁶ A recent review found that mental-health care in the military is too fragmented, however, limiting its effectiveness.⁸⁷ The fate of soldiers with a mental-health issue is a challenge for commanders even though evidence-based treatment options are available. Hence, a highly integrated system between command and mental-health care is necessary to effectively address these issues.

Wellness—physical and mental—is especially challenging for organizations like the Defense Department, as well as for American society at large, because many interrelated factors

Figure 13: Obesity Rates in Active-Duty Military and Civilian Adults



Source: Bipartisan Policy Center. *Health, Health Care, and a High-Performance Force*. March 2017. 9. Available at: <http://bpcdc.org/DefenseResearch>.

contribute. The military has some advantages in confronting these issues, given its command and leadership structures, as well as broad control over the environments in which service members live, work, and access health care. Because of this, wellness is also one of the military's best opportunities to improve performance and control costs.

S-9: Enhance the new, annual TRICARE enrollment process by implementing automatic reenrollment and by gathering data on alternative health-coverage eligibility.

The FY 2017 defense-authorization law includes a provision to establish an annual open-enrollment process for TRICARE. Each year, dependents of service members and military retirees will have the opportunity to affirmatively enroll in TRICARE Prime or a TRICARE PPO option for the following year, similar to the open-enrollment periods typical in other employer-sponsored health plans. (Special enrollment periods will apply to those who experience life changes, such as marriage, moving, etc.) This new open-enrollment process should be implemented so that those who do not respond would be automatically reenrolled in their current plan, and the default option for newly enrolling dependents would be TRICARE Prime. As part of this enrollment process, beneficiaries should be asked to indicate if they are eligible and/or enrolled in any other health coverage.

Rationale

Requiring dependents and retirees to affirmatively choose TRICARE health coverage and report other sources of coverage will improve the ability of the Defense Health Agency to understand and track the population covered by TRICARE, and it could facilitate better care coordination.

S-10: Improve the quality of post-deployment reintegration by applying lessons learned from U.S. Special Operations Command's Preservation of the Force and Family program.

The Defense Department should use the lessons learned by the U.S. Special Operations Command in its Preservation of the Force and Family program to create a customizable reintegration program for service members returning from a deployment. This should not result in yet another mandatory checklist item for returning service members but should be a tailored approach, based on the needs of the individual, to successfully reintegrate them to their families and home-duty stations.

Rationale

Despite large-scale troop reductions in the Middle East, many service members continue to deploy on a repeated basis. Special Operations Forces in particular have been subjected to continued, regular deployments at an unrelenting pace. This places a large amount of stress on some service members, which can lead to challenges upon returning home. To combat this challenge, U.S. Special Operations Command began the Preservation of the Force and Family program, which inserts psychologists, family counselors, exercise physiologists, and other specialists into the daily routines of the Special Forces community. Their mission is preventative maintenance—catching and resolving problems before they become chronic—and healing them as quickly as possible when maintenance fails.

Importantly, not all service members experience repeated, stressful deployments. In fact, most service members have little trouble reintegrating to their personal, professional, and family lives upon returning home. However, some personnel do experience difficulty. Service members who deploy as an individual, instead of as part of a team, are less likely to have anyone making sure that the service member is adjusting well upon completing a deployment.

Since the stress of repeated deployment can be a primary motivator in retention decisions, the Defense Department should carefully study the data gleaned by the U.S. Special Operations Command program and determine where lessons learned can be usefully implemented throughout the wider force.

S-11: Establish pilot programs to test use of commercially insured health plans to offer health benefits to reserve-component service members and their families, military retirees and their dependents, and the dependents of active-duty service members.

The FY 2017 defense-authorization law includes a provision to allow the Defense Department to partner with the Office of Personnel Management, which operates the Federal Employees Health Benefits Program, to launch a pilot to provide commercially insured health plans to reservists and their family members. Participation would be optional for service members. This pilot could be expanded to other populations.

Rationale

Segments of these populations—especially those in rural areas or far from military treatment facilities—have experienced challenges with access to care and care continuity. Testing use of commercially insured health plans in these cases would help policymakers to determine whether this approach could solve persistent access problems at a reasonable cost.

S-12: Collect and publish data, by service and base, on the number and percentage of service members who leave service due to health-related issues, and use that data to target interventions.

In order to design and implement the best policies for improvements in the physical health of service members (as discussed in the recommendation on page 73), the Defense Department should create a centralized database with metrics relevant to health outcomes that affect retention, such as the results of service members' fitness tests, height and weight measurements, use of tobacco products, unmanaged chronic conditions, and any personnel actions taken based on these outcomes (e.g., separations, remedial fitness training, etc.). These data should be integrated into systems and efforts to promote service-member health, specifically leading to interventions that could improve healthful behaviors before negative consequences, such as injury or separation, occur.

Rationale

Current, accurate data that helps demonstrate the relationship between wellness and readiness would assist leaders in targeting their efforts to improve force wellness and to support accountability for outcomes that affect readiness and cost.

Technically Proficient

New technology will define future conflicts. Those who win will have harnessed technological advances to their advantage. Service members in every occupation, from the infantry to the intelligence analyst, will rely on increasingly advanced technology to accomplish their mission. Language skills, cultural knowledge, quantitative analysis, and technical expertise are essential and require personnel policies that promote a greater degree of specialization than the one-size-fits-all force can deliver. Additionally, service members and government civilians must be technically competent regardless of specialty. The below recommendations will ensure the Defense Department remains at the forefront of the information age.

T-1: Replace “up-or-out” promotion processes with a “perform-to-stay” system.

For officers, remove DOPMA and ROPMA field-grade-officer-strength tables in order to allow the services to extend the careers of valuable service members who are not competitive for continued promotion. Additionally, allow individual service members to voluntarily remove themselves from promotion consideration in order to continue building technical expertise while also continuing to strengthen their professional résumés to become more competitive for future promotions.

For enlisted service members, although there are few statutory limitations on their ability to continue serving, the military services have implemented policies that mimic the officer system of up-or-out. Service secretaries should use their authority to ensure valuable, high-performing enlisted members are not being forced out of the military just because they are not competitive or interested in further promotion.

This recommendation would take advantage of the existing military-promotion-board process. Those service members continuing to remain in uniform must continue performing at a high level as verified by annual performance reports and supervisor assessments.

Rationale

The military’s traditional 20-year career is an arbitrary limit that does not recognize an individual’s ability to continue contributing beyond standard career models. As the military shifts to an increasing reliance on highly technical and experienced personnel, it is crucial to retain the experienced talent that has already been recruited. Too often when service members are not selected for promotion, they are also forced to leave the military, even if they still have valuable skills to offer. The current system also does not support nontraditional career paths that may be operationally important but not rewarded by promotion boards, such as individuals enrolled in valuable higher-education or specific military-training programs like language and cultural schools.

T-2: Expand the use of warrant officer positions and create a technical, non-command career track for officers and enlisted personnel.

Direct all services to use warrant-officer ranks in order to retain technical expertise. Additionally, allow officers with needed technical skills to remove themselves from the command pipeline by pursuing alternative promotion pathways or transferring to warrant-officer ranks. These alternative promotion pathways would allow officers to continue advancing up to a certain point based on technical knowledge and expertise, without having to fill a command billet along the way. For example, health care providers should have access to a career track that enables skilled clinicians to continue to receive promotions and raises while delivering patient care, instead of being forced to pursue command and leadership assignments. Promotion criteria for these alternative pathways and expanded warrant-officer positions should be relevant to the particular job duties.

Rationale

Many highly technical career fields like cyber, aviation, and health care lose talented service members by forcing them to pursue command in order to be promoted. These individuals are oftentimes a part of “high-demand, low-density” specialties that are frequently deployed.

T-3: Reform veterans’ preference policies to ensure the most-qualified applicants are given opportunities for employment in critical Defense Department job vacancies.

Limit veterans’ preference to new federal employees and to those who are in their new-employee probationary period. Additionally, create a new category of hiring preference for veteran and civilian applicants who possess STEM or other highly desirable skillsets and experiences.^b This new hiring preference would supersede ordinary veterans’ preferences in order to ensure the most-qualified applicants are interviewed.

Rationale

While veterans’ preference is an important tenet of the civil-service system, it can also prevent the most-qualified applicants from filling vacancies. This recommendation would give veterans’ preference only to those who seek initial employment with the federal government or to those who are recently hired federal employees and still in their probationary periods. Additionally, in order to ensure that those possessing highly needed skills are able to rise to the top of a candidate pool, a new “super” preference would be created.

T-4: Speed up and better utilize the Highly Qualified Expert program to source civilian subject-matter expertise in critical areas.

The Defense Department should fully utilize its Highly Qualified Expert (HQE) authorizations as a means of

attracting top talent to senior levels of the Pentagon. The HQE program should be modified to reduce burdensome bureaucracy by delegating hiring and approval authority to the lowest practical level.

Rationale

HQEs are appointed to bring “enlightened thinking and innovation to advance the [department’s] national security mission.”⁸⁸ These individuals provide a temporary infusion of talent to help accomplish short-term projects. Currently, the Defense Department has the authority to appoint 2,500 HQEs, but as of spring 2016, fewer than 100 were actually appointed. Current HQE hires are filling positions as the director of the Defense Digital Service, the head of the Pentagon’s Strategic Capabilities Office, and the Air Force Chief Scientist. One of the department’s Force of the Future initiatives is to increase the number of HQEs by 10 percent annually, which is likely too slow to address critical talent gaps.

T-5: Increase educational opportunities for Defense Department civil servants.

Provide additional opportunities and resources for civilian employees to further education and training.

Rationale

Currently, there are very few educational opportunities available for defense-civilian employees. In order to reach their full potential, employees must be given opportunities to continue developing their skills and knowledge. This is exactly why substantial investments are made for uniformed career development. But the differences between uniformed and civil-service personnel when it comes to career development are striking.

^b See page 49 for recommendations on federal-hiring preferences for military spouses.

T-6: Centralize personnel-management authority for health care personnel under the Defense Health Agency.

The Pentagon should charge the Defense Health Agency with authority to manage the health care personnel system across the department to attract and retain needed capabilities. The FY 2017 defense-authorization law provision to consolidate Military Health System management in the Defense Health Agency will help, but this reform must be coupled with a personnel-management strategy and plan, which should align with other efforts to integrate care with other health systems and to modernize the delivery and information-technology systems. This new authority should be used in a collaborative spirit with the services to ensure that the Military Health System is managed efficiently and effectively to maintain readiness while the needs of individual services are met.

Rationale

The department must ensure that the Military Health System has the medical personnel it needs to achieve its readiness mission—including physician and non-physician health care professionals, such as nurse practitioners, physician’s assistants, and community-health workers. Medical personnel should also be managed in ways that best leverage enlisted service members, officers, active and reserve components, and defense civilians to enhance readiness and increase efficiency. Yet no person or organization has been responsible for this mission, which is essential to maintaining a ready medical corp.

T-7: Improve civilian-military permeability for health care providers through more-effective utilization of the reserve component to better meet staffing needs.

Reserve contracts for health care personnel should be simplified and adjusted for compatibility with health care careers—such as by indicating that X percent of time will be devoted to military service and the rest for civilian work—combined with a targeted expansion of higher-education loan-repayment benefits. Revise training and readiness requirements to meet national standards for military medical technicians.

Rationale

Improved permeability between civilian and military health care providers would promote greater experience with higher volumes and wider varieties of cases, improving readiness among the medical force. Adherence to national training standards would promote a high level of competence among military health care professionals and ease transitions between civilian and military roles, while a better model for contracting with reservist health care providers is needed to address persistent failures to meet reserve-component recruiting goals and acquire critically needed talent. This approach, along with targeted loan-repayment assistance, could be especially useful at attracting civilian trauma-care expertise to the military via the reserve component.

Conclusion: Comprehensive Recommendations to Prepare the Force for Future Threats



The task force's recommendations contained in this report are meant to complement one another in many ways. An American society more fully engaged with the opportunities to contribute to U.S. national security efforts will leverage its vast reservoir of talent to help solve the military's challenges—many of them increasingly requiring technical or other specialized knowledge and skills. As the structure of military careers becomes more flexible, military families will be able to lead lives that more closely resemble their civilian counterparts, further closing the civilian-military divide and helping to retain the critical talent of high-performing service members. A sustainable personnel structure, along with other efforts to achieve a sustainable, sufficient, and balanced defense budget, would enable military families to be confident in their compensation and benefits, and would allow defense leaders more flexibility to make strategic decisions.

Critically, this package of recommendations would preserve the principles that have served the military and the nation well over the years. A key strength of the U.S. armed forces is its unique culture. Characterized by selfless service, integrity, and sacrifice, none of these recommendations are meant to supplant the values that make the military the most well-respected public institution in the eyes of the American people. Also, the task force is cognizant that good policy is necessary, but not sufficient by itself, to achieve a high-performing personnel system. These recommendations are not meant to negate the importance of high-quality leaders who provide crucial mentorship and guidance to the troops under their supervision.

Rather, the proposals offered by the task force would augment the strengths and minimize the weaknesses of the current

personnel system in service of the nation's security needs. Policymakers should approach Defense Department personnel reform with the same mindset. By focusing personnel reforms on achieving desired national security outcomes, lawmakers

and Pentagon leaders can both honor the promises made to today's military and also improve the performance of the force for the future.

Appendix: Health and Health Care

The Task Force on Defense Personnel established a working group to examine the Military Health System, TRICARE benefits, and other Defense Department activities that affect health. This appendix presents the task force’s recommendations on health and health care with additional background and explanation.

TABLE B: Summary of Task Force TRICARE Proposals (proposal; *change from current law*)

			TRICARE Prime (HMO) and Select (PPO)		TRICARE For Life	
	Enrollment Process	Non-TRICARE Incentive	Enrollment Fee/Premium	Cost-sharing	Enrollment Fee/Premium	Cost-sharing
Active-duty service member	No change.	N/A	No change.	No change.	N/A	N/A
Active-duty dependents	No change.	Those who decline TRICARE are eligible for up to \$250 per month to cover premiums and cost-sharing of other health insurance (e.g., workplace health plan). <i>Current law offers no reimbursement for non-TRICARE health-insurance out-of-pocket costs.</i>	No change.	No change.	N/A	N/A
Reservists	No change.	No change.	No change.	No change.	N/A	N/A
Reservist dependents	No change.	No change.	No change.	No change.	N/A	N/A
Non-Medicare-eligible retirees who enter service before 2018	No change.	No change.	No change.	No change.	N/A	N/A
Medicare-eligible retirees entering service before 2018	No change.	N/A	N/A	N/A	No change.	No change.
Non-Medicare-eligible retirees who enter service in 2018 and later (first retirees affected in 2038)	No change.	N/A	At or near MCRMC recommended fee (~20% of cost of coverage). <i>Increase from current-law level (~4% of cost of coverage).</i>	No change.	N/A	N/A
Medicare-eligible retirees who enter service in 2018 and later (first retirees affected in 2038)	N/A	N/A	N/A	N/A	~20% of cost of coverage. <i>Current-law TRICARE For Life does not have an enrollment fee.</i>	No change.

Preamble

The health of service members and their families is vital to the U.S. military's ability to accomplish its mission. The charge of the Military Health System is to maintain and improve health, whether by delivering lifesaving battlefield medicine in theater or by providing routine care stateside. In addition, the Military Health System serves as an important employee benefit, providing health care for dependents of current service members, as well as military retirees and their families. In FY 2016, the Unified Medical Program budget was \$48 billion, roughly \$1 out of every \$12 in the defense budget that year, and the system covered an estimated 9.4 million eligible beneficiaries, including 5.4 million retirees and their family members.^{89,90}

Yet, the Military Health System is not sustainable as currently designed and operating. Health care is a must-pay bill, and escalating costs threaten resources needed for training, manning, equipping, and modernizing the force. Inefficient use of health care dollars—whether due to underutilized infrastructure, inappropriate use of services, absence of a rational personnel-management plan, or other organizational deficiencies—diverts scarce resources from other military-readiness needs. The sustainability of military health care is a key challenge that policymakers must continue to address as part of personnel reforms because it is inherently connected to readiness and service-member compensation. Reforms must also be considered in the context of U.S. health care delivery and payment systems that are in the midst of significant changes resulting from the Affordable Care Act, changes to Medicare, health-system and payer consolidation, and other efforts to address escalating costs and quality improvement.

The Military Health System has considerable strengths. Combat-casualty and rehabilitative care have become more effective than ever, saving countless lives; the fatality rate among wounded individuals was 9.3 percent in Iraq and Afghanistan, compared with 23 percent during the Vietnam War.⁹¹ Most service members are satisfied with the health care services they receive at home.⁹² TRICARE—as the benefit is known to service members, military retirees, and dependents—features a comprehensive benefit package and very low out-of-pocket beneficiary costs for coverage and for receiving services, compared with typical employer-sponsored health plans. Health care services are delivered to TRICARE beneficiaries using a combination of military treatment facilities—staffed by uniformed and defense-civilian health care providers—and purchased services from private-sector, civilian providers. In short, the Military Health System delivers an extraordinary volume of high-quality services to a large population with diverse needs in sometimes dangerous and chaotic conditions.

Along with these strengths, military health care also faces challenges in financial sustainability, readiness, quality, and the patient experience. Lawmakers have recognized these challenges and, as part of the FY 2017 defense-authorization law, provided department leadership with new authorities and direction to improve military health care.⁹³ Going forward, the Military Health System must change if it is going to: continue meeting military-readiness needs, especially to maintain a high level of trauma-care capability; become a learning organization that continuously improves the delivery of high-value care, meaning higher-quality outcomes, a better patient experience, and increased efficiency; resolve access problems in certain geographic areas and specialties; and contain system-wide cost growth so that the resource use of the Military Health System does not threaten other military-readiness needs. Just as importantly, the health of service members and their families is not only affected by TRICARE. Pentagon leadership should embrace the challenge of promoting healthful lifestyles—especially opportunities to make good nutritional choices and stay active on U.S. military property—and be held accountable for high

rates of separation due to failure to meet physical standards. Wellness, both physical and psychological, are of such importance that responsibility must extend beyond the official health care system and throughout the department.

Readiness and the Medical Force

First and foremost is how to maintain a high level of military readiness—the primary purpose of the Military Health System—as the U.S. military is decreasingly engaged in the large-scale, intensive combat that was common over the last 15 years. Perhaps the most pressing problem is how to maintain a ready medical force after this transition. In the past, trauma and combat-casualty skills have degraded during peacetime, resulting in preventable deaths and injuries when conflict returns. Absent significant changes to the strategy and operations of the Military Health System, this unwelcome trend will repeat itself. A new model must be established, in partnership with civilian trauma centers, to enable military health care providers to continue to regularly serve trauma-care patients. This transformation must be achieved in a way that enhances the capability of TRICARE to maintain the medical readiness of the general service-member population.

Modernization of the Military Health System

Back home, the Military Health System has been slow to adopt some of the improvements that private-sector health care organizations have used to improve the quality of care delivered, enhance the patient experience, and contain cost—to promote high-value care, in other words. For example, in the private sector, many health systems have established regional “centers of excellence,” to which patients needing certain specialty care are referred. This approach allows specialty care to be delivered at the volumes necessary to promote both quality and efficiency—enabling providers to become highly experienced—to offer patients the latest technologies for examination and treatment, and to ensure that care standards are met. Yet, the military has not adopted this approach, maintaining a network of dispersed specialists who typically see care volumes too low to maintain maximum proficiency.

The absence of modern innovations extends beyond the military health care delivery system to the design of the payment system. While TRICARE continues to pay civilian health care providers using volume-based, fee-for-service reimbursement, many private-sector providers—and other government programs, such as Medicare—are adopting advanced payment models that are intended to encourage care coordination and promote provider accountability for health outcomes, the patient experience, and cost. For example, shared-savings arrangements enable health care providers to keep a portion of any savings compared with a cost-growth target, but only if they meet standards for quality outcomes and patient satisfaction.

Timely Access to Health Care

TRICARE beneficiaries are, overall, more satisfied with their health plan than civilians.⁹⁴ This satisfaction is likely a result of the program’s broad coverage of benefits and low out-of-pocket contributions from beneficiaries. However, beneficiary satisfaction is lower when asked specifically about health care.⁹⁵ One area where TRICARE consistently underperforms private-sector health plans is in timely access to care.⁹⁶ These access problems extend to both routine appointments and specialty care, such as mental health, and access can be more challenging for reservists and military retirees who do not live near an installation with

military treatment facilities. A recent survey of Air Force personnel even showed that, for a small but significant minority, difficulty obtaining access to care was a top reason to separate from the service.⁹⁷ Ironically, despite this evidence, TRICARE beneficiaries access health care at a much higher rate than the commercially insured population does.⁹⁸ While some of this might be due to health care needs resulting from more than 15 years of war, much of it could simply be inappropriate overuse caused by poorly coordinated care in a system that lacks strong enterprise management.

Cost in an Era of Constraints

As noted above, substantial resources—\$1 out of every \$12 in the defense budget—are devoted to the Military Health System. Escalating health care cost growth threatens the sustainability of military health care and risks diverting scarce resources from other military-readiness needs. More than half of TRICARE beneficiaries are military retirees and their family members.⁹⁹ The department does not have complete data on how much it costs for TRICARE to serve military retirees, which is likely in the tens of billions annually. Health care is, without question, an important part of the military retirement benefit and will remain so, yet it is striking that most TRICARE beneficiaries are outside of the core readiness mission. Further, the department does not know whether retirees and dependents view TRICARE as their main source of health care coverage or as supplemental to another health plan, such as from a current employer. The high service utilization of TRICARE beneficiaries, as compared with civilian utilization, also has cost implications, and if some of that usage is inappropriate or duplicative, then there is an opportunity to yield savings that could be reinvested in other military-readiness priorities. In an era of limited budgets, cost is an important dimension that has implications for readiness and quality as well.

Health, Wellness, and Readiness

For most Americans, health care services are not the most important determinant of health. Instead, personal behaviors and environmental factors substantially affect health. The availability and cost of healthful foods, the presence or absence of opportunities to remain active at work and at home, and individual choices about diet, exercise, tobacco use, and sleep are all important contributors to health. Just as the United States is struggling as a nation with obesity and chronic health conditions that result in part from poor nutrition and sedentary lifestyles, military readiness is adversely affected by the national wellness crisis. Too many service members are forcibly separated for failing to meet weight and physical-ability standards, which should spur questions about whether the military is doing enough to foster an environment that promotes healthful lifestyle choices.

Additionally, over the past decade, awareness has increased of the need for service members and their families to address mental- and behavioral-health needs as an essential ingredient in overall wellness. Fortunately, policymakers have made substantial new resources available to expand mental-health services. Use of behavioral-health care by service members and dependents has grown substantially in recent years, from 1.1 million encounters in 2003 to 3.3 million encounters in 2014.¹⁰⁰ A recent review found that mental-health care in the military is too fragmented, limiting its effectiveness.¹⁰¹ Pentagon leadership has an opportunity and an imperative to rationalize and improve the effectiveness of military mental- and behavioral-health services.

Goals for Reforms

The Military Health System must achieve better enterprise management:

- to align with and represent the best of the broader U.S. health care system;
- to balance value, quality, safety, and access for the best beneficiary experience;
- to foster the processes and tools necessary for continual improvement across all of these criteria;
- to offer worldwide availability of care for all beneficiaries competitive with private-sector health care benefits and focused on health and wellness; and
- to best achieve the twin purposes of the system, which are a medically ready force and a ready medical force:
 - service members and their families who are resilient and physically, mentally, and medically ready to complete and support the mission;
 - military health care personnel who are sufficiently skilled and experienced to deliver the full spectrum of health care services during times of crisis and war.

Recommendations

Establish better enterprise management of the military health care system to improve access to high-quality, modern, and efficiently delivered health care services.

A recent report from the National Academy of Medicine, presenting recommendations for the military and civilian trauma-care systems, noted that military trauma care is:

“unclear in its leadership structures, with no single locus of combined responsibility and authority for maintaining the readiness and assuring the performance of military trauma care teams and of the system as a whole. No one appears to be responsible for setting goals for the readiness of the medical force or for its performance, nor do those line commanders who ultimately control resources in the field uniformly claim or reliably accept responsibility for monitoring and ensuring that standards of trauma care are being met on the battlefield.”¹⁰²

Virtually the same statement could be made about the Military Health System as a whole. While some functions, such as the operation of TRICARE payment systems, are concentrated at the Defense Health Agency, the management of individual military treatment facilities and supervision of providers has been left to each individual service. The result is a system that is difficult to manage and in which no one is ultimately accountable for delivering on readiness, quality, access, cost, and patient-experience goals. This arrangement fosters a system that is not amenable to the kind of system-wide improvement efforts that have the potential to deliver higher readiness, better care, and lower costs. In addition to the National Academy of Medicine, the Military Compensation and Retirement Modernization Commission also recommended consolidation of authority for the Military Health System.¹⁰³

Lawmakers have recognized this problem and, as part of the FY 2017 defense-authorization law, consolidated authority over military treatment facilities within the Defense Health Agency and employed several new authorities to facilitate system reorganization and improvement.¹⁰⁴ In many ways, centralization of authority within the Defense Health Agency is the keystone to other reforms; without central authority and accountability, better enterprise management would be impossible to achieve and many, if not most, of the task force's recommendations would be futile. This does not mean that the system should not also be responsive to the needs of individual services; it can and must. This will not be the first time that a mission-critical function is centralized across the department. For example, the Defense Logistics Agency serves the supply-chain needs for everything from food to fuel and building materials for all four services.

The Potential for Partnerships

The current division of responsibilities between the military direct-care system and the purchased-care network is suboptimal for many reasons. Uniformed health care professionals devote substantial time to services that are not central to readiness, such as pediatric care. Specialists in many military treatment facilities do not serve sufficient volumes of patients in order to maintain a high level of proficiency. And military surgeons working in the direct-care system during peacetime obtain very little experience with trauma-care patients, threatening the readiness mission. What's more, expensive infrastructure could be utilized more efficiently. For example, the Military Health System operates 55 inpatient hospitals and medical centers.¹⁰⁵ The Veterans Health Administration operates 168 medical centers.¹⁰⁶ Hundreds more outpatient sites are operated by each. These facilities are in various stages of modernization and have many overlapping locations. For example, Jacksonville, Florida, has a new Veterans Health Administration hospital that is near a modernized military treatment facility. Is this the best, most-efficient use of taxpayer resources? Many military hospitals are also near civilian medical centers. When nearby facilities are underutilized, consolidating services and modernizing efforts under a single facility have great potential for savings, quality, and readiness improvements. A 2016 Blue Star Families survey showed that active-duty families who use civilian providers have higher satisfaction with quality and timeliness of care.¹⁰⁷

A better approach, one that's reflected in the recommendations of MCRMC and several provisions in the FY 2017 defense-authorization law, would be to rethink which services should be delivered by military health care providers in military facilities and which could be better served by private-sector civilian providers. The Military Health System would partner with civilian health systems and the Veterans Health Administration to create a win-win-win result for all three organizations. In the Military Health System, care, quality, and access would improve for TRICARE beneficiaries, and readiness would improve for uniformed medical personnel. For example, military surgeons and trauma nurses might be stationed on long-term, three-year periods at civilian trauma centers, obtaining invaluable experience that would maintain their readiness to deploy in wartime and deliver top-quality combat-casualty and trauma care. The civilian medical centers—many of them in lower-income communities—would, at no cost to them, benefit from extra health care professionals and the expertise from military trauma-care professionals returning from Iraq and Afghanistan. Civilian health providers would have the opportunity to serve more military patients, such as for pediatric care, and the military would save on facility and staffing costs, and also potentially free uniformed end-strength for non-medical purposes. The Pentagon should make full use of the new authorities provided by the FY 2017 defense authorization to develop these partnerships in ways that would improve readiness, the quality and timeliness of care, and efficiency.

Modern Health Care Delivery Practices

The Pentagon has been slow to establish a highly integrated health care system, which excels both at promptly providing patients with the proper level of care while also deploying subspecialists in the places where they can be most effective. To achieve this, the Military Health System must adopt many innovations that are increasingly common in civilian health care delivery systems to ease access to services and to improve the quality of care. Lawmakers included provisions to advance these innovations in the FY 2017 defense-authorization law.

Approaches will differ depending on geography and other circumstances. For example:

- telehealth services would help to extend access to beneficiaries who do not live in close proximity to military treatment facilities or purchased-care network providers; and
- moving certain specialty-care services from local military treatment facilities to regional centers of excellence would allow sufficient patient volumes for specialists to maintain maximum proficiency, would facilitate the maintenance of best-practice standards of care, and would allow faster adoption of new technology and treatments.

Integration must extend beyond military health care providers. While a specialty center of excellence might be run from a military treatment facility in an area with a substantial military presence, in other parts of the country a partnership with a civilian or veterans' medical center might be more efficient and effective.

Centralize personnel-management authority for health care personnel under the Defense Health Agency.

The Defense Department does not currently have a human-resources management plan for attracting and retaining the necessary personnel to maintain medical-force readiness—including physician and non-physician health care professionals, such as nurse practitioners, physician's assistants, and community-health workers. The FY 2017 defense-authorization law provision to consolidate Military Health System management in the Defense Health Agency will help, but this reform must be coupled with a personnel-management strategy and plan that should align with other efforts to integrate care with other health systems and modernize the delivery system. For example, if the department shifts certain medical services to civilian health systems, the Military Health System would likely need fewer providers of that type; to maintain key positions related to readiness, the department might use other tactics recommended below, such as greater reliance upon the reserve component. Because medical reservists continue in private practice, they maintain competency and can be called upon when surge capacity is needed. One possible approach could be targeted use of medical-school debt repayment to attract key specialties to the reserves based on current needs.

Other changes in personnel policies, such as the creation of alternative promotion pathways, will likely be needed to implement a new personnel plan. For example, the National Academy of Medicine panel and BPC listening tour each heard from military health care providers who left practice because promotion (and pay increases) required transitioning to management activities. This is not necessarily the best way to use highly skilled and competent providers, especially those who would prefer to remain in clinical practice. The department should offer a clinical-practice promotion pathway to allow high-performing military doctors, nurses, and physician's assistants to continue delivering patient care.

Improve civilian-military permeability for health care providers through a more-effective use of the reserve component to better meet staffing needs.

The reserve component has struggled to recruit medical professionals, filling roughly one-third of the surgical slots, for example.¹⁰⁸ Mobilization is too difficult and uncertain under current reserve-component contracts. A more-straightforward contract, such as one that indicates that X percent of time will be devoted to military service and the rest will be devoted to civilian work, might attract more specialists to the reserves. For example, since most of the peacetime trauma-care expertise is located at civilian trauma centers, one approach to acquiring greater military trauma-care capabilities would be to recruit more civilian trauma-care physicians and nurses into the reserves. Clear expectations about the time commitment (when not activated) and targeted offers of benefits, such as higher-education loan repayment, could help to acquire these key specialties for the readiness of the medical force.

Civilian-military permeability would be further advanced by implementing training and readiness requirements that meet national standards for all military medical technicians. This change would promote a high level of competence among military health care professionals, align with the provision in the FY 2017 defense-authorization law to adopt common health care quality measures, and enhance the military's ability to attract qualified professionals with existing credentials to active duty or to the reserves. It would also improve the transition for separating service members and perhaps encourage some departing active-duty service members to seek employment using their civilian credentials as they continue to serve through the reserve component.

Establish pilot programs to test use of commercially insured health plans to offer health benefits to reserve-component service members and their families, military retirees and their dependents, and the dependents of active-duty service members.

MCRMC recommended that health care benefits for military retirees and dependents of active-duty service members be delivered through a new system of commercially insured health plans. Given that the U.S. health insurance system is in flux and that there is a high level of uncertainty surrounding potential cost savings from delivering TRICARE benefits using private-sector health plans, the task force suggests a more-cautious exploration of this idea.

Rather than immediately transitioning large populations of TRICARE beneficiaries to commercially insured health plans on a mandatory basis, the Military Health System would develop and run voluntary pilot programs to test this approach. The population of reserve-component members and their families is probably the most logical group to begin with, since reservists are more likely to live far from military treatment facilities, are generally more familiar with commercially insured health plans from their experiences with civilian employers, and already contribute a significant share of the cost of the existing TRICARE Reserve Select option. Private-sector health plans might offer these reservists better access to care through more-established provider networks in areas with little military presence. In fact, the FY 2017 defense-authorization law includes a provision to allow the Defense Department to partner with the Office of Personnel Management, which operates the Federal Employees Health Benefits Program, to launch a pilot to provide commercially insured health plans to reservists and their family members. Participation would be optional for service members.

Developing additional, voluntary demonstration programs could extend this approach for military retirees and dependents of active-duty service members. For example, private-sector health plans for retirees might be tested in areas with a high concentration of military retirees but with few or no military treatment facilities. A pilot program for dependents of family members could also include a test of the basic allowance for health care that MCRMC proposed.

Offer a new TRICARE option for dependents of service members to leverage employer contributions and reduce TRICARE costs.

Dependents of service members who are working may have access to employer-sponsored health insurance, yet they are unlikely to enroll in or use workplace health insurance that has out-of-pocket costs much greater than those available in TRICARE. As a result, TRICARE—and by extension, the defense budget—likely covers most health care costs for family members who have alternative sources of coverage. The FY 2017 defense-authorization law includes a provision to create a new TRICARE option for military retirees, who could receive reimbursement for out-of-pocket costs related to enrollment and use of workplace health insurance. A similar option, which could be selected during the open-enrollment period that will be established according to the new defense-authorization law, should be made available to dependents of active-duty service members. The task force recommends that dependents who decline TRICARE coverage should be able to receive up to \$250 per month to put toward premiums and cost-sharing (e.g., for copayments and deductibles) related to their other health insurance coverage.

Increase TRICARE enrollment fees for military retirees to cover 20 percent of the cost of coverage beginning in 2038 so that current service members are grandfathered in.

Since the current TRICARE benefit was implemented, retiree contributions to the cost of their health care have declined precipitously in real terms. As part of the FY 2017 defense-authorization law, Congress made modest changes to these out-of-pocket costs that would only affect future retirees, beginning in the late 2030s. These enacted changes will still result in TRICARE enrollment fees and cost-sharing that are far lower than those included in workplace health insurance, to which many military retirees have access.

The modifications to TRICARE costs proposed in this recommendation—which would only affect future service members who retire more than two decades from now—would improve the long-term sustainability of the TRICARE program, encourage working-age military retirees to enroll in workplace health insurance for which they are eligible, and honor the expectation that current service members and military retirees have regarding retiree health benefits.

MCRMC proposed to increase TRICARE enrollment fees for military retirees to 20 percent of the cost of coverage. This proposal should be enacted with two modifications: (1) the change should only apply to military retirees who enter initial service in 2018 or later so that the soonest retirees would be affected by this change would be calendar year 2038; and (2) the enrollment-fee change should apply to both TRICARE coverage for non-Medicare-eligible retirees and TRICARE For Life coverage for Medicare-eligible retirees.

Collect and publish data, by service and base, on the number and percentage of service members who leave service due to health-related issues, and use data to target interventions.

The connection between wellness and readiness can be easily missed. While a traumatic injury or illness has obvious implications for readiness, nutrition, tobacco use, sleep habits, sedentary lifestyles, and failure to manage chronic conditions all have the potential to adversely impact preparedness. Addressing these challenges requires a new style of leadership that helps service members to make the connection between health and performance. Current, accurate data that helps demonstrate this relationship and assists leaders in targeting their efforts to improve force wellness is critical.

In order to design and implement the best policies for improvements to the physical health of service members, the department should create a centralized database with metrics relevant to health outcomes that affect retention, such as results of service members' fitness tests, height and weight measurements, use of tobacco products, unmanaged chronic conditions, and any personnel actions taken based on these outcomes (e.g., separations, remedial fitness training, etc.). Currently, some of this information is collected at the service level and not uniformly transmitted to the Office of the Secretary of Defense. The Defense Health Agency does collect various population-health information, but it does not necessarily do so in a form that would allow it to be connected to separations. With the high degree of variation among bases and across services, identifying which locations are best promoting health and wellness among service members will aid Pentagon leadership and lawmakers in identifying the most promising health-promotion strategies.

Implement evidence-based programs and policies that promote healthful behaviors among service members, encompassing physical, nutritional, and mental health.

Similar to the fragmentation of programs seen in mental-health care, services and programs to promote healthy eating, physical activity, tobacco cessation, adequate sleep, and other behavioral components of maintaining a healthy and ready force are largely provided at the installation level. Through Operation Live Well and the Healthy Base Initiative, the Pentagon has begun to recognize and evaluate these programs, but the department has not yet undertaken a systematic review or assessment of the wellness programs offered across all bases and facilities. Building on findings from Operation Live Well and the Healthy Base Initiative, the department has an opportunity to improve the efficiency and effectiveness of existing efforts and to increase the impact of the most promising programs. Improving health promotion for servicemen and women also has the potential to impact the health of military families, an important source of recruitment for future service members. In order to identify the most effective programs, the Pentagon should conduct a similar review process of health and wellness programs as it did for mental-health programs.

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Notes

Notes



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