Future of Military Health Care Hearing:

TRICARE Management Activity

July 25, 2007
Agenda

- Overview
- Organizational Structure
- Purchased Care
- Non-Purchased Care
- Acquisition Staff
- Pay-for-Performance
- Current Initiatives/Challenges
Overview: TRICARE’s Mission

TRICARE’s mission is to enhance DoD and our Nation's security by providing health support for the full range of military operations and sustaining the health of all those entrusted to our care.

- To fulfill this mission, we need to accomplish three things:
  - Maintain a medical force ready to support warriors
  - Provide medical support to keep the force ready to fight
  - Provide comprehensive health care benefits to service members, retirees and their families, cradle to grave

- To accomplish these things, we deliver care in military medical treatment facilities worldwide, and share in the cost of civilian health care services obtained by beneficiaries, through TRICARE program contracts.
Overview: TRICARE at a Glance

TRICARE Customers
- TRICARE Beneficiaries: 9.2 million*
- TRICARE Prime Enrollees: 5.0 million
- Non-enrolled: 2.2 million
- TRICARE for Life: 1.6 million
- TRICARE Plus: 169,000
- TRICARE Reserve Select: 34,200
- TRICARE dental plans coverage
  - 1.7 million active duty (AD)
  - 1.8 million AD family member
  - 975,000 retirees

TRICARE Facilities
- Direct Care Facilities:
  - 65 Military Hospitals/Medical Centers
  - 412 Medical Clinics
  - 414 Dental Clinics
- Military Health System Personnel: 132,700
  - 46,300 Civilian
  - 86,400 Military

A Week in the Life
- Inpatient Admissions: 19,600
  - 5,000 Direct Care
  - 14,600 Purchased Care
- Outpatient Workload (Direct care only):
  - 642,400 Professional Encounters
  - 102,900 Dental Seatings
- Prescriptions: 2.22 million
  (Includes retail, direct care and mail order)
- Births: 2,100
  - 1,000 Direct Care
  - 1,100 Purchased Care
- Claims processed: 3.5 million
- Weekly Bill: $754 million

FY06 Budget
- Unified Medical Program: $39.32 billion
- $28.16 billion Defense Health Program
- $11.16 billion Medicare Eligible Retiree Accrual Fund

*The number of beneficiaries eligible for DoD medical care fluctuates based on changes in retirees, active duty, Guard/Reserve, and their family members
TMA Organizational Structure

*Acting Chief Medical Officer

*Chief Force Health Protection and Readiness Programs

*Acting Chief Financial Officer

Acting Chief Information Officer

Chief Health Plan Operations

Chief Pharmaceutical Operations

Acting Chief of Staff

Director, Program Integration

Director DoD/VA Program Coordination Office

Director Health Program Analysis and Evaluation

Acting Regional Director TRO North

Regional Director TRO South

Regional Director TRO West

Director TAO Latin Am/Can

Director TAO Pacific

Director TAO Europe

Senior Enlisted Advisor

Deputy Director, TMA

General Counsel

*HA/TMA
Organizational Structure: Chief Health Plan Operations

Chief Health Plan Operations

Chief of Staff

Deputy Chief TRICARE Acquisitions

Acquisition Management and Support (HCA)
TMA Acquisition Activities

- TMA has three general categories of requirements:
  - Purchased Care:
    - TMA’s Acquisition Management and Support Directorate (AM&S) is the Contracting Office and Head of Contracting Activity (HCA)
    - Includes healthcare contracts that supports the delivery of civilian care
    - Annual obligations of approximately $16 billion
    - Facilitates government payments for healthcare entitlements
  - Information Technology for the Military Health System (MHS):
    - Executed through external contracting agencies (primarily DoD)
    - Includes services such as concept exploration and development; system design; system development and integration; COTS procurement and integration; internal development testing; deployment; installation; operations; and maintenance
    - Annual obligations of approximately $783 Million
  - Management, Consulting and Program Support:
    - Executed through external contracting agencies (primarily DoD)
    - Includes services such as requirements analysis; acquisition support; budget planning and management; business process reengineering; program planning and execution support; and independent technical management support
    - Annual obligations of approximately $346 Million
AM&S Capabilities

AM&S provides comprehensive contracting support to TMA including the purchase of health care, dental, and pharmacy services, as well as other support services and supplies

- AM&S is the HCA
- All staff are certified at the appropriate level
- Fully compliant with FAR, DFARS, DoD requirements
- Defense Procurement and Acquisition Policy (DPAP) is the Head of Agency
Purchased Care Process Flow

- **Milestone Decision Authority (MDA)/Under Secretary of Defense (P&R)**
- **TMA Head of Agency – DPAP (appoints SSA and approves Acquisition Plan and strategy)**

**T-3 Program Manager**

- **Chief, HPO**

**T-3 Executive Council (TEC)**
- **Policy OIPT**

**T-3 Oversight Committee (TOC)**
- Requirements review and recommendations.
- IPT/OPM & Policy
- Others on Ad Hoc Basis

**T-3 Procurement Team Members**
- TRO Reps
- TMA General Counsel
- Program Requirements
- AM&S
- Others on Ad Hoc Basis

**TRICARE Acquisition Executive/ASD(HA)**
- TMA Director

**TRICARE Program Executive Officer (PEO): TMA Deputy Director**

**1. Acquisition Planning & Evaluation**

**2. Actuarial, IGCE & Cost Analysis**

**3. IT**

**4. Financial**

**5. Transition & Integration**

**Office of General Counsel**

**Workgroups/SMEs**
T-3 Source Selection Organization

- **PCO**
- **SSA**
- **SSAC Chair**

PRAG Chair

SSET Chair

Cost/Price Team Chair

**PRAG Members**
- TRO-W
- TRO-S
- TRO-N
- TMA-A

**SSET Members**
- TRO-N
- TRO-S
- TRO-S
- TRO-W
- TRO-W
- Navy SG
- Army SG
- AF SG

**Cost/Price Team**
- TMA AM&S P&PO
- TMA OCFO consultants
- DCAA PLA
- DCAA
- DCAA

Office of General Counsel
# Purchased Care Current Contracts

<table>
<thead>
<tr>
<th>CONTRACT</th>
<th>($ in Millions)</th>
<th>Annual Admin</th>
<th>Annual Healthcare</th>
<th>CONTRACTOR</th>
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<tbody>
<tr>
<td>Humana Military Health Services (South)***</td>
<td>$ 183M</td>
<td>$ 2,718M</td>
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<td>TriWest Healthcare Alliance (West)***</td>
<td>$ 213M</td>
<td>$ 2,079M</td>
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<td>Health Net Federal Services (North)***</td>
<td>$ 246M</td>
<td>$ 2,019M</td>
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<tr>
<td>TRICARE Dual Eligible Fiscal Intermediary Contract (TDEFIC) *</td>
<td>$ 156M</td>
<td>$ 1,998M</td>
<td>Wisconsin Physicians’ Services</td>
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<td>Mail Order Pharmacy **</td>
<td>$ 23 M</td>
<td>$162 M</td>
<td>Express Scripts International (ESI)</td>
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<tr>
<td>Retail Pharmacy **</td>
<td>$ 32 M</td>
<td>$1,619 M</td>
<td>ESI</td>
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<tr>
<td>TRICARE Global Remote Overseas (TGRO)</td>
<td>$ 9M</td>
<td>$ 5M</td>
<td>International SOS</td>
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<tr>
<td>Puerto Rico - Admin only</td>
<td>$ 6M</td>
<td></td>
<td>Humana Military Health Services</td>
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<tr>
<td>TRICARE Dental Program</td>
<td>$ 4M</td>
<td>$ 242M</td>
<td>United Concordia Companies, Inc.</td>
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<td>Uniformed Services Family Health Plan (USFHP)</td>
<td>$ 3M</td>
<td>$ 262 M</td>
<td>Sole Source with 6 Existing Plans</td>
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<tr>
<td>National Quality Monitoring</td>
<td>$ 8M</td>
<td>$0</td>
<td>Maximus, Inc.</td>
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* Medicare Trust Fund
** Health Care Pass through to Government
***Total includes $1B pass through for AD Supplemental Care
Mission of Non-purchased care

- Non-purchased care services support TMA operational program offices and the MHS IM/IT community

- Acquisition management structure: Independent management control audit recommended:
  - ensure proper funds controls
  - improved program documentation
  - ensure proper staff training
  - implement a comprehensive contracting process
  - identify an external contracting agency as TMA’s first option
  - centralize and manage non-purchased care requirements

- All Inner Service Support Agreements with external contracting agencies have been documented

- Reduce the number of contracting activities
  - 1,653 contract actions
  - $1.2 Billion annual obligation
Non-Purchased Care
Inter-Agency Service Support Agreement

- Current TMA policy calls for acquisition support agreements to be approved by the Deputy Director, TRICARE Management Activity
- TMA has established TMA-wide agreements with 9 contracting agencies to facilitate the procurement of non-purchased care requirements
- The three primary contracting agencies are:
  - US Army Medical Research Acquisition Activity (USAMRAA)
  - Naval Sea Logistics Center (NAVSEA)
  - Space and Naval Warfare Systems Center (SPAWAR)
Non-Purchased Care Requirements Approval Process

• TMA has developed an enterprise non-purchased care Strategic Acquisition Plan (Updated July 2006)
• The TMA acquisition process has been approved by OSD(AT&L)
• Requirements are generated by TMA’s requiring activities (offices headed by Flag/SES)
  – the IM/IT requirements that fall within the DoD 5000 program are coordinated and managed by the Joint Medical Information System Program Executive Office (JMIS-PEO)
  – JMIS-PEO will be realigned into TMA 01 Oct 2007
• Prior to release of requirements to external contracting offices TMA ensures:
  – requirements adhere to OSD(AT&L) and TMA leadership approval levels
  – IT requirements adhere to OSD(NII) approval levels
• After approval, non-purchased care requirements are sent to TMA preferred contracting agencies for processing
**TMA Acquisition Staff by Specialty**  
*work in progress*

- **Number of Acquisition Staff:**
  - Military
  - Civilian - 43
  - Contractors (not certified)

- **Acquisition billets by acquisition specialty:**

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<tr>
<th>Level</th>
<th>AUD</th>
<th>BCFM</th>
<th>CON</th>
<th>FE</th>
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- **Military/government service personnel acquisition trained by specialty:**

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Purchased Care
Pay-for-Performance

- TMA utilizes a variety of incentives to maintain and encourage superior contractor performance including:
  - Performance Guarantees
    - Telephones, claims processing, TED accuracy
  - Underwriting Incentives
    - Network discount, Network usage, Cross-regional trend
  - Performance Incentives
    - Clinical quality, program integrity, electronic media claim submission
  - Award fee
    - Items of interest to incentivize contractor performance
Non-Purchased Care Pay-for-Performance

• TMA utilizes a variety of incentives to maintain and encourage superior contractor performance including:
  – Performance Requirements Summary Matrix
    • Acceptable Quality Level
    • Method of Surveillance
    • Performance Incentive
  – Increase incentives with establishment of Multiple-Awarded DoD ID/IQ Contract Vehicles
    • D/SIDDOMS 3: (Defense Medical Information System/Systems Integration, Design, Development, Operations and Maintenance Services) – Awarded December 2004
    • T/AARMS - (TRICARE- Acquisition, Automation, & Resource Management Support) - In source selection
    • TEAMS (TRICARE Evaluation, Analysis, Management, and Support) – In source selection
  – Multiple ID/IQ contracts provides for greater flexibility – Multiple Contract Types
    • Firm Fixed Price, Fixed Price Incentive,
    • Fixed Price Award Fee
    • Fixed Labor Rate
    • Cost Plus Fixed Fee
    • Cost Plus Award Fee

• 45% of IM/IT contracts are performance based*
• 57% of Operational support services are performance based*

*FY06
Current Initiatives

- Early planning with ASD/HA for requirements definition, policy, and approach
- Early industry involvement
- Fixed Price contracting where possible
- Clearer and more directed incentives and guarantees
- Utilize performance based approach where possible (networks, UM/DM, transition)
- Simplified contract type addressing appropriate risks and rewards
- Publish draft requirements/RFP, decreased proposal preparation time, oral presentations, and real-time evaluation
- Fully implement Non-Purchased Care Organization Conflict of Interest (OCI) initiative by awarding TEAMS and T/AARMS, two Multiple Award ID/IQ contracts available MHS wide
  - Mitigates conflict of interest
Current Initiatives cont.

• Minimize use of non-DoD contracting vehicles
• Reduce number of agreements with non-DoD contracting activities
• Close team on hand to provide technical, legal and financial expertise
Current Challenges

• Political nature of health benefit
  – Multiple task forces
  – Legislative changes
  – Sustaining a cost effective, quality benefit
• Health Care market
• Competing interests
• Emerging technology
• Protracted contracting process
• Magnitude of program
• Human Capital Strategy
• Financial Constraints
Way Ahead

• On the right track
  – beneficiary satisfaction
  – interest in contracts
  – articulate and less restrictive

• Sound acquisition source selection process
  – fair contracting
  – fewer protests

• Have balanced and reasonable approach given challenging environment
Quadrennial Defense Review
Roadmap for Medical Transformation
Initiatives 15 and 16

Overview
for the
DOD Task Force on the Future of Military Health Care
25 July 2007

Michael O’Bar
TRICARE Management Activity
TRICARE Operations
Director, Benefits Division
Initiative # 15
Contracting for Health Care Services

“The objective of this initiative is to assess the potential for DoD to contract for health care and health care management overhead on a military installation.” *

*Quadrennial Defense Review Roadmap for Medical Transformation
Initiative # 15
Two Tasks

• Task 15a
  – Analysis to determine feasibility of conducting successful pilot projects at MTFs
  – Complete by September 2007

• Task 15b
  – MHS Leadership “Go/No-Go” decision concerning whether to proceed to the pilot project execution phase
  – If “Go,” Services contract for, implement, operate, and assess pilot projects
  – If pilot projects to be conducted, begin after FY 2008 to allow time for alignment of required resources
Task 15a Subtasks and Status

- Define top-level, preliminary site screening criteria
  - Done

- Select installations for analysis of feasibility of MTF pilot operations
  - Air Force and Navy proposed pharmacy projects
    - Done
  - Army still considering whether to propose an entire clinic operation
    - Y

- Develop process for analyzing feasibility of conducting pilot operations at the selected installations
  - Done

- Conduct industry day to elicit views on provision of contracted health care services
  - Done

- Perform the detailed feasibility analysis
  - G – Y
Initiative # 16
Contracting for Professional Services

“The objective of this initiative is to more effectively and efficiently employ contract medical personnel throughout the MHS and to provide a process that is consistent throughout the system and makes health care more accessible to beneficiaries at the smaller military treatment facilities.” *

*Quadrennial Defense Review Roadmap for Medical Transformation*
Initiative # 16 Terms of Reference

- DoD IG Report D-2004-094: Direct Care Medical Services Contracts Findings
  - Called for joint strategy and more coordinated approach
  - Strengthen guidance and oversight of professional services acquisitions
- Use Defense-Wide Strategy Council (November 2004-June 2005) recommendations as a starting point
  - Formalize tri-Service support responsibilities while leveraging existing acquisition capabilities
  - Establish strategic sourcing councils for key labor categories
  - Standardize acquisition process and related capabilities
- QDR Roadmap for Medical Transformation (April 2006) – Initiative # 16
  - Develop a coordinated tri-Service process for acquiring contract medical services personnel
Initiative # 16 Subtasks and Status

- Establish a Strategic Sourcing Council
- Standardize the professional services acquisition process
  - Requirements definition
  - Cross-Service coordination and optimization in regions and markets
  - Credentialing
  - Tracking and reporting
- Establish Multiple Award Task Order (MATO) Indefinite Delivery/Indefinite Quantity (ID/IQ) Contracts
  - Spiral 1: Relatively short-term MTF staffing requirement
- Develop a common, automated data-bank for the Services’ professional services acquisition/contracting activities
  - Who, what, where, when, how much
- Complete before work group charter expiration (June 2008)

Status

G

Y