



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, DC 20301-1200

MAR 25 2010

The Honorable Carl Levin
Chairman, Committee on Armed Services
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

The enclosed annual report describing the level of support provided by contract health care personnel to Military Treatment Facilities (MTFs) under the TRICARE program is in response to the requirement in section 732 of the John Warner National Defense Authorization Act for Fiscal Year (FY) 2007. This report also provides an assessment of TRICARE Regional Directors' compliance in developing integrated, comprehensive requirements for the contract support of MTFs, as well as an assessment of compliance with standards of quality regarding contractor performance and patient care.

Since 2004, the three TRICARE Regional Directors have coordinated with the Military Departments to develop an integrated regional business plan through which the requirements for support to be provided by contractors are identified. These requirements can be adjusted throughout the year, as necessary.

When support is provided to the MTFs by contractors, the MTFs gain the potential for cost avoidance when conducting full and open competition consistent with requirements of the Federal Acquisition Regulation (FAR). Compliance with the FAR also establishes standards of quality. In addition, FAR compliance ensures verification of a prospective contractor's financial responsibility and inclusion of a continuity-of-services clause. Further, the Contractor Performance Assessment Report System, which is a standard means of assessing and recording a contractor's performance, is used throughout the Military Health System (MHS). Regarding patient care, a comprehensive process remains in place through which the MHS monitors and evaluates the quality and appropriateness of patient care and the clinical performance of all practitioners, to include contract providers.

During FY 2009, there were 4,924 direct contracts and 130 clinical support agreements in place throughout the three TRICARE regions. The total expenditures for these clinical support agreements and direct contracts were \$1,557,395,000 in FY 2009, which represents a 19 percent increase over FY 2008.

In summary, excellent processes remain in place to ensure that MTFs are well supported by civilian health care contracts and consistent standards of quality are well established throughout the MHS.

Thank you for your continued support of the Military Health System.

Sincerely,

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Charles L. Rice, M.D.
President, Uniformed Services University of
the Health Sciences
Performing the Duties of the
Assistant Secretary of Defense
(Health Affairs)

Enclosure:
As stated

cc:
The Honorable John McCain
Ranking Member



HEALTH AFFAIRS

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, DC 20301-1200

MAR 25 2010

The Honorable James H. Webb
Chairman, Subcommittee on Personnel
Committee on Armed Services
United States Senate
Washington, DC 20510

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The Honorable Lindsey O. Graham
Ranking Member



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MAR 25 2010

The Honorable Ike Skelton
Chairman, Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515

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The Honorable Howard P. "Buck" McKeon
Ranking Member



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, DC 20301-1200

MAR 25 2010

The Honorable Susan Davis
Chairwoman, Subcommittee on Military Personnel
Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515

Dear Madam Chairwoman:

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HEALTH AFFAIRS

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The Honorable Daniel K. Inouye
Chairman, Committee on Appropriations
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The Honorable David R. Obey
Chairman, Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

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The Honorable Jerry Lewis
Ranking Member



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
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The Honorable Norm Dicks
Chairman, Subcommittee on Defense
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

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Enclosure:
As stated

cc:
The Honorable C. W. Bill Young
Ranking Member

Report to Congress



Requirements for Support

of

Military Treatment Facilities

by

Civilian Contractors under TRICARE

Report to Congress
on
Requirements for Support of Military Treatment Facilities
by
Civilian Contractors under TRICARE

Introduction

The National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2007 required the Secretary of Defense to submit an annual report on the support of military treatment facilities (MTF) by civilian contractors under the TRICARE program during the preceding fiscal year. The report is to set forth, for the fiscal year covered by such report, the following elements:

- (A) The level of support of military health treatment facilities that is provided by contract civilian health care personnel under the TRICARE program in each region of the TRICARE program.
- (B) An assessment of the compliance of such support with regional requirements that the Regional Director of each region under the TRICARE program shall develop each year.
- (C) The number and type of agreements for the support of military treatment facilities by contract civilian health care personnel.
- (D) The standards of quality in effect for the TRICARE program contract requirements that the Regional Director of each region developed each year.
- (E) The savings anticipated, and any savings achieved, as a result of the implementation of the requirements developed each year.
- (F) An assessment of the compliance of contracts for health care staffing services for Department of Defense facilities with the requirements for consistent standards of quality for contract civilian health care personnel providing support of military treatment facilities under the TRICARE program.

This report provides the requested information for FY 2009.

Background

The Deputy Secretary of Defense, under the auspices of the TRICARE Governance Plan of January 20, 2004, established the overall organizational construct, regional office responsibilities and staffing plan, market manager responsibilities, and the business planning requirements and process for delivery of the TRICARE benefit. The former TRICARE regions in the United States were consolidated into three TRICARE regions, three TRICARE Regional Offices (TRO) were established, and the TRICARE regional managed care support contracts were aligned with the three TRICARE regions. Regional Directors are to maintain knowledge of all regional assets, costs, and expenditures. They can make recommendations to the Military Departments regarding the flow of dollars and staffing in their respective regions.

However, per Department of Defense Directive 5136.12 and the TRICARE Governance Plan, the TRICARE Regional Directors are not in the chain of command of the MTF commanders. Under provisions of title 10 of the United States Code, it is the Military Departments, not the TRICARE Regional Directors, that have command authority over and accountability for operations of the MTFs. By law, each Military Department is responsible for organizing, training and equipping its own medical force to provide high quality care and to meet its mission needs. By regulation, within each region, the TRICARE Regional Director is the health plan manager. The Regional Director has visibility of both contract and direct care assets, coordinates with the Military Departments to develop an integrated health plan, and monitors MTF performance in accordance with the business plan. When deviations from the plan are noted, the Regional Director communicates with the MTF commander and Service headquarters. The Military Departments retain the authority to direct and validate the MTF/Services health care delivery process.

The MTFs satisfy their medical and administrative staffing requirements through a combination of uniformed medical personnel, government civilian employees, and contracted personnel. The mix of providers and administrative staff from these three staffing sources varies from MTF to MTF. The MTF commander determines the amount and provider-types of contracted personnel to acquire for staff augmentation purposes.

The vast majority of the contracted providers in the MTFs work under personal services contracts in accordance with the provisions outlined in Department of Defense Instruction 6025.5. This type of contract enables the MTF commanders to oversee assignment and performance of the contracted personnel in an employer-employee manner, much like the supervisory relationship the MTF commander has over the performance of the military and government civilian providers on the MTF staff. This type of contractual relationship is consistent with the MTF commander's authority over and accountability for all operations of the MTF. In particular, the contractual relationship enhances the MTF commander's ability to ensure that the quality of care

provided by contracted providers meets the standards that other providers on the MTF staff must meet.

Required Report Elements

(A) Level of support of military treatment facilities that are provided by contract civilian health care personnel under the TRICARE program in each region of the TRICARE program:

The following table displays the estimated level of support in the MTFs provided by civilian health care personnel under the TRICARE program during FY 2009, by region. Current business systems and methodology do not allow all the Services to accurately capture and report a clear distinction between clinical support agreements (CSAs) and direct contracting (DC) cost. Below are estimated expenditures for both CSAs and DC across the MHS:

TRICARE Region (\$000)			
North	South	West	Total
\$552,808	\$459,792	\$544,794	\$1,557,395

(B) Assessment of the compliance of support for development of integrated, comprehensive requirements for the support of military treatment facilities by contract civilian health care and administrative personnel under the TRICARE program:

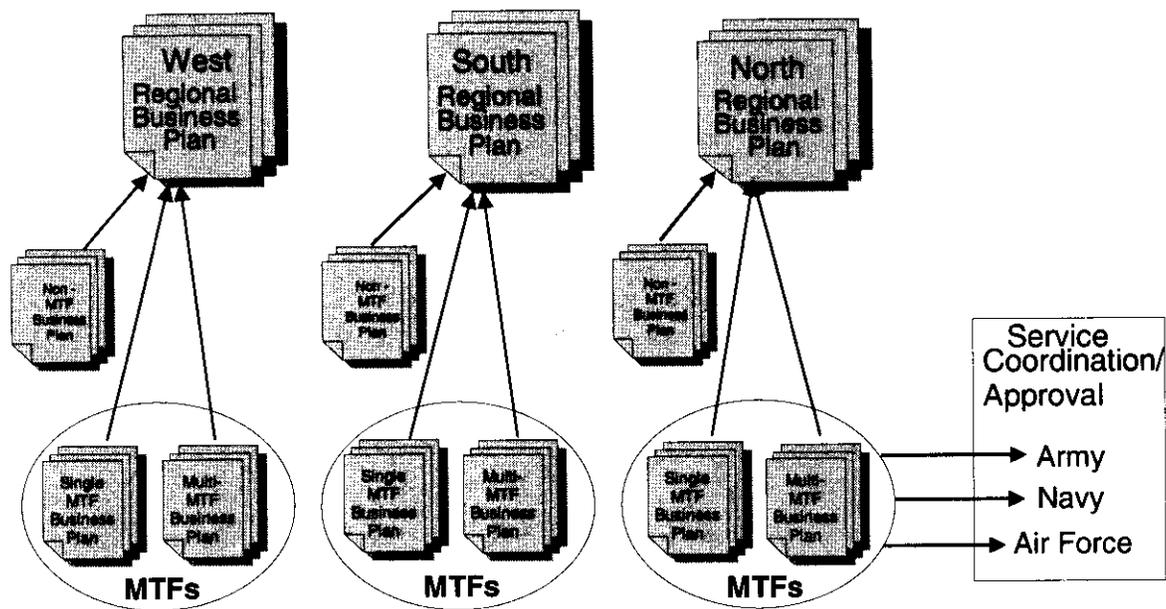
Within each region the Regional Director is the health plan manager who has visibility of both contracted private sector assets and MTF care assets. The Regional Director coordinates with the Services to develop an integrated, regional business plan. The integrated regional business plan, developed prior to the year of execution, is the management tool that provides a standard method used to track accountability at all levels in the Military Health System (MHS) for delivery of care in both the private sector and the MTFs.

The Regional Director draws on three primary sources to construct the regional plan:

1. Individual MTF business plans.
2. Multiple Service Market business plans.
3. TRO business plans for health care delivered outside of MTFs.

Annually, each MTF develops a business plan. Multiple Service Markets are those areas in which the MTFs of more than one Service are present (depicted as multi-MTF in the figure below) and significant TRICARE beneficiary health care costs exist. The title “Senior Market Manager” applies to the MTF Commander designated by the Service Surgeons General to be the Market Manager in the area. In multiple Service Markets the Senior Market Manager, drawing on the MTF business plans, is responsible for coordinating the development of a single, integrated market area business plan.

The Regional Director develops the regional business plan for health care delivery by integrating the TRO regional non-MTF business plan with the single and multi-MTF business plans. The process flow is outlined in the chart below:



A fundamental principle of the business planning and operational monitoring process is that the Services, Regional Directors, and other key members of the TRICARE Management Activity (TMA) will conduct operations with complete financial and workload visibility. Consistent with this is the explicit requirement that the business planning process accomplish the following:

1. Document the accountability and responsibility for the scope of care provided by each MTF.
2. Account for staffing and funding.
3. Establish productivity and financial objectives with TMA.

4. Establish the MTF capability and capacity, with analysis of market demands and opportunities.

The TRICARE business planning process is mature, active, and effective. It incorporates elements that either explicitly or implicitly include the support MTF commanders require to carry out their responsibilities. The MTF plans include anticipated annual workload accomplishment factors: one standardized measure for outpatient care (relative value units) and one standardized measure for inpatient care (relative weighted products). By implication, MTF commanders will accomplish, by employment of contracted providers or utilization of the TRICARE network, that portion of the planned workload not performed by uniformed medical providers and government civilian employees.

(C) The number and type of agreements for the support of military treatment facilities by contract civilian health care personnel:

The MTFs acquire contracted health care and administrative services primarily through direct contracting or less frequently for health care and administrative support personnel through clinical support agreements. Direct contracts are those that a Military Service itself establishes with one or more other parties. With a clinical support agreement, the MTF applies its resources to fund a task order placed against one of the three TRICARE managed care support contracts. The following table presents the estimated number of each of these two types of vehicles the MTFs used during FY 2009 to acquire support services:

Direct Contracts	Clinical Support Agreements
4,924	130

(D) The standards of quality in effect under the requirements that the Regional Director develop integrated, comprehensive requirements for the support of military treatment facilities by contract civilian health care and administrative personnel under the TRICARE program:

The MHS is a worldwide and fully integrated health system that delivers quality patient-centered and evidence-based care that is both effective and efficient. Medical quality assurance is a comprehensive process that the MHS uses to monitor and evaluate the safety, quality and appropriateness of patient care as well as the clinical performance of practitioners. The MHS adheres to principles for quality adopted from the Institute of Medicine (IOM); these include safety, effectiveness, timeliness, patient centered, efficient, and equitable. These principles are essential to accomplishing the mission and achieving our vision. The Department has in place a policy on issues related to medical

quality assurance programs and activities. The policy states that the MHS must maintain active and effective organizational structures, management emphasis, and program activities that will assure quality health care throughout the MHS.

The management of quality in the MHS is interdependent on continuous and multi-directional communication across various direct and purchased care components. Structures and processes have been established to support clinical quality management and facilitate consistent communication for opportunities to enhance the care provided throughout the system. The assessment of the quality of health care provided by DoD is accomplished at the facility, Service, regional and system levels. External monitoring contracts including the MHS Clinical Quality Management Support and the National Quality Monitoring Contract assist the DoD in data collection and analysis of care provided in the MHS.

Communication to support quality management in the MHS is accomplished through the inclusion of quality management in key leadership committees and the development of a select number of quality-focused committees. These committees successfully connect information flow from policy development to implementation and evaluation. The lead committees include the Senior Military Medicine Advisory Council (SMMAC), the Clinical Proponency Steering Committee (CPSC), and the MHS Clinical Quality Forum. The MHS Clinical Quality Forum gathers clinical quality subject matter experts from the Services, TRICARE Management Activity, and the purchased care civilian contractors together on a monthly basis to present and discuss quality management in the MHS. Quality initiatives, performance assessment, and policy changes are presented and discussed at the Forum. A summary of the Forum meetings is presented to MHS Leadership on a quarterly basis.

(E) The savings anticipated, and any savings achieved, as a result of the implementation of the requirements that the Regional Director develop integrated, comprehensive requirements for the support of military treatment facilities by contract civilian health care and administrative personnel under the TRICARE program:

The MHS has not specifically documented savings achieved as a result of implementing the requirements that the Regional Director develop integrated, comprehensive requirements for the support of military treatment facilities by contract civilian health care and administrative personnel under the TRICARE program. The MTFs gain the potential for cost avoidance at an undetermined level by conducting full and open competitions for most of their direct contracting for medical and administrative services. When the purpose of the contract is to obtain the services of medical personnel who will provide health care to TRICARE beneficiaries, “best value” is usually the appropriate source selection criterion to use. That criterion promotes selection of the

lowest cost offeror who can be expected to meet MHS quality standards for the provision of health care.

Task orders issued to establish clinical support agreements are executed under the competitively procured managed care support contract (MCSC). With the exception of Military Health System Support Initiative (MHSSI) agreements, requirements for estimating anticipated savings and measuring savings actually achieved on contractor agreements across all TRICARE regions are not fully developed.

The MHS, however, has begun looking more holistically at the management of costs by focusing on per capita costs, rather than simply the unit costs of health care services. In health care, savings are generated both by the management of unit costs and the management of utilization of services. As part of its strategic imperatives, the senior leadership is now assessing trends in Prime enrollees' Per Member Per Month (PMPM) costs. This metric calculates the costs of both Direct Care and MCSC enrollees on a per capita basis no matter which system provides the care. The MHS is analyzing the significant drivers of growth in this metric looking at beneficiary category, enrollment location, diagnoses and venue of care (inpatient, outpatient, emergency room, pharmacy, etc). These analyses will help focus efforts to control overall MHS costs.

(F) Assessment of the compliance of contracts for health care staffing services for Department of Defense facilities with the requirements for consistent standards of quality for contract civilian health care personnel providing support of military treatment facilities under the TRICARE program.

Credentialing: DoD policy, in DoD 6013.25-R, establishes credentialing standards for all personnel providing health care in the MTFs. The standards are consistent for uniformed medical providers, government civilian employees, and contracted providers. As long as they remain in compliance with DoD policy, the Military Departments may, to meet their own needs, adjust credentialing processes used in the MTFs. The Military Departments all use of the Centralized Credentials Quality Assurance System (CCQAS), the Department's on-line credentials record system, for recording the training and qualifications, as well as the scope of practice granted a provider, including a contracted provider.

Joint Commission Accreditation: The Services do not consistently require, when issuing requests for proposals for performance of health care services in the MTFs, that offerors must have a Joint Commission Health Care Staffing Services certification. However, DoD policy requires that MTFs comply with current Joint Commission patient safety goals, and contracted personnel, when working in the MTFs, must meet these standards.

Financial stability: The procuring contracting officers of each Military Department comply with the Federal Acquisition Regulation (FAR) requirements for determining the financial responsibility of companies before making awards to them.

Medical management: Military treatment facilities are responsible for granting privileges to providers operating under non-personal services contracts. In that case, the MTF retains responsibility for clinical oversight while the contractor is responsible for the administrative clinical supervision of the health care professionals serving as non-personal service contractors. All non-personal services contracts used by the MTFs require health care workers to have and maintain a license in the state where the work is performed and to carry medical malpractice insurance commensurate with the local market. However, the vast majority of contracts awarded during FY 2009 were for personal services. Under this arrangement, the Military Departments are responsible for medical management of direct health care providers and assume liability, clinical supervision, and peer review responsibilities.

Continuity of operations: Contractors recruit, qualify, and retain contracted professional medical and administrative workers. To assure continuity of operations, contracts to acquire medical and administrative staffing for the MTFs include the Federal Acquisition Regulation (FAR) continuity of services clause to allow for transition from one contract to another and prevent a lapse in service.

Training: Contractors providing services to the MTFs are responsible for recruiting health care workers with required training and education. Position descriptions matching or exceeding minimum service requirements for training, experience, and advanced education are defined by the Military Departments. Payment and management of ongoing education and training are the responsibility of the contractor. The Military Departments monitor the status of contractor employees' education, training, and licensing just as they do for uniformed medical providers and government civilian employees working in the MTFs. Any health care worker — military, civilian, or contractor — can have their privileges suspended at the MTF until all training and licensing requirements are up to date.

Employee retention: In their requests for proposals for providing services in the MTFs, all of the Military Departments address requirements for contractors to minimize employee turnover. Thus, employee retention standards become part of the contracts when signed.

Access to contractor data: The Military Departments' contracts to satisfy MTF medical and administrative staffing needs require delivery of contractor data. Management data is shared between the MTFs and the contractors in periodic performance status reports. Data is validated by Contracting Officer Representatives (CORs). All of the Military Departments utilize the Contractor Performance Assessment

Report System (CPARS) as a standard means of assessing a contractor's performance and providing a record, both positive and negative, on a given contract during a specific period of time. Each assessment is based on objective facts and supported by program and contract management data, such as cost performance reports, customer comments, quality reviews, technical interchange meetings, financial solvency assessments, management reviews, contractor operations reviews, functional performance evaluations, and earned contract incentives.

Fraud prevention: Contracts of all the Military Departments for medical and administrative staffing contain fraud prevention standards. The qualifications of contracted health care workers are independently validated by the Services during the credentialing and privileging process using multiple databases and primary source verification of education, training, experience, and malpractice events.

Conclusion

The Military Departments' use of contracted support services in the MTFs is essential for meeting the Department's mission to provide health care for TRICARE beneficiaries. Augmentation of MTF staffs with contracted personnel is especially important while the Military Departments deploy many of their uniformed medical providers out of the MTFs to the combat theater. The Department has structured, standard processes in place to satisfy these contracted staffing requirements, and it is committed to making the processes even more efficient.