

GAO Highlights

Highlights of [GAO-14-195](#), a report to the Committee on Armed Services, U.S. Senate

Why GAO Did This Study

DOD provides certain health care services through its TRICARE Program, which complements the health care services provided in military treatment facilities. DOD acquires these health care services through MCSCs with private sector companies. As of October 1, 2013, DOD's Defense Health Agency is responsible for awarding, administering, and overseeing TRICARE's MCSCs. Prior to this date TMA handled these duties.

DOD's health care costs have more than doubled from \$19 billion in fiscal year 2001 to its fiscal year 2014 budget request of more than \$49 billion. Senate Report 112-173, which accompanied a version of the National Defense Authorization Act for Fiscal Year 2013, cited concerns with the growth of DOD's health care costs and identified private sector health care contracts as an area for potential savings and efficiencies.

The Senate report mandated that GAO review DOD's process for acquiring TRICARE's MCSCs. This report examines: (1) TMA's acquisition process to award TRICARE's third generation MCSCs; (2) the extent to which issues were raised in the bid protests involving these MCSCs, including identifying any common themes; and (3) lessons learned from the acquisition process to award these MCSCs and how these lessons may be used in future acquisitions. GAO reviewed relevant federal statutes, regulations, policy documentation, and the bid protest decisions for TRICARE's third generation MCSCs. GAO also interviewed TRICARE officials about the acquisition process and lessons learned.

View [GAO-14-195](#). For more information, contact Debra A. Draper at (202) 512-7114 or draperd@gao.gov.

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DEFENSE HEALTH CARE

Acquisition Process for TRICARE's Third Generation of Managed Care Support Contracts

What GAO Found

The TRICARE Management Activity (TMA) within the Department of Defense (DOD) used the acquisition process prescribed by federal regulations to acquire health care services for the TRICARE Program through the third generation of TRICARE's managed care support contracts (MCSC). This process included a three-phased contract award process outlined in the figure below.

TMA's Contract Award Process: Phases and Activities in the Acquisition Process



Source: GAO analysis of DOD information.

TMA policy also defined steps for the acquisition process beyond what was required in the federal regulations, including developing additional documentation and obtaining additional approvals from senior TRICARE acquisition officials. For example, peer reviews of the acquisition process are conducted and documented for certain DOD contracts, including TRICARE's MCSCs.

TMA awarded a contract for each TRICARE region (North, South, and West), but challenges (bid protests) to the agency's award decisions were filed by unsuccessful offerors in all three regions. Of the six bid protests filed, three were sustained and three were denied. Following the resolution of the bid protests, the MCSCs in all three regions were awarded to a different offeror than was initially awarded the contract. The offerors who filed the bid protests cited various issues, most frequently TMA's evaluation of proposals. For example, four bid protests challenged TMA's evaluation of offerors' proposed network provider discounts, which are discounts of provider payment rates negotiated by offerors to reduce overall health care costs to the government.

TRICARE acquisition officials said that sustained bid protests and TMA's implementation of corrective actions prompted them to identify lessons learned where changes could be made to improve the acquisition process for subsequent TRICARE MCSCs. Lessons learned included (1) improvements in communication and documentation to increase transparency during the evaluation of proposals and (2) increases to the length of the acquisition process to allow for more time to evaluate proposals and for the transition from one MCSC to another. TRICARE acquisition officials also said that some of these lessons have been applied in other contracting activities; however, they could not confirm which, if any, of these lessons will be incorporated into the acquisition process for the next generation of TRICARE MCSCs, scheduled for 2018.

GAO requested comments from DOD on the draft report, but none were provided.