



Report to the Chairman, Subcommittee
on Oversight and Investigations,
Committee on Veterans' Affairs, House
of Representatives

May 2016

VA HEALTH CARE

Improvements Needed for Management and Oversight of Sole- Source Affiliate Contract Development

GAO Highlights

Highlights of [GAO-16-426](#), a report to the Chairman, Subcommittee on Oversight and Investigations, Committee on Veterans' Affairs, House of Representatives

Why GAO Did This Study

VA partners with university-affiliated hospitals, medical schools, and practice groups (affiliates) to provide educational opportunities in VAMCs. Under special contracting authority, VA can use SSACs to obtain physician services from affiliates that are not available in VAMCs.

GAO was asked to review VA's use of SSACs. This report, among other issues, examines (1) VHA's time frames for developing and awarding high-value, long-term SSACs; (2) VHA's use of short-term SSACs and how it oversees their development and use; and (3) how much experience the VA workforce that develops SSACs has and what, if any, specialized training VA provides. GAO reviewed VA and VHA policies and guidance. GAO visited five VAMCs and five network contracting offices based on geographic dispersion and use of SSACs. GAO also reviewed a nongeneralizable sample of 25 SSACs. GAO contacted supervisors from each of VHA's 21 network contracting offices to gather information on SSAC development and contracting officer experience.

What GAO Recommends

GAO is making eight recommendations, including that VA develop performance standards for the timely development of high-value, long-term SSACs, develop standards for the minimum amount of time necessary to develop and award short-term SSACs, and take steps to increase the retention and competence of the contracting workforce. VA concurred with GAO's recommendations and provided an action plan to address them.

View [GAO-16-426](#). For more information, contact Randall B. Williamson at (202) 512-7114 or williamsonr@gao.gov.

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VA HEALTH CARE

Improvements Needed for Management and Oversight of Sole-Source Affiliate Contract Development

What GAO Found

GAO found it took nearly 3 years on average to develop and award 11 selected high-value, long-term sole-source affiliate contracts (SSAC) from three of the five Department of Veterans Affairs (VA) medical centers (VAMC) GAO visited. The two remaining VAMCs GAO visited did not use high-value, long-term SSACs. High-value, long-term SSACs generally require the most oversight of all SSACs by the Veterans Health Administration (VHA), have total initial values of \$500,000 or more, and provide affiliate services for more than 1 year. Officials from all five VAMCs GAO visited said that the lengthy development time frames of these contracts can impact VAMCs in several ways—including creating potential gaps in patient care and the need to repeatedly establish short-term solutions. GAO found that 10 of these 11 selected high-value, long-term SSACs exceeded the informal estimates created by VHA as planning guides for the expected development time frames that high-value, long-term SSACs should take. According to VA officials, these informal estimates are not used to measure the performance of this process and VHA has not established standards for the timely development of high-value, long-term SSACs. Federal internal control standards recommend establishing and reviewing performance standards at all levels of an agency. Absent such standards, VHA cannot ensure that its high-value, long-term SSACs are being developed in a timely manner.

VHA uses short-term SSACs to overcome lengthy high-value, long-term SSAC development time frames, but lacks effective oversight for the development and use of short-term SSACs. Short-term SSACs have total initial values of less than \$500,000, provide affiliate services for up to 1 year, and are not reviewed by VHA Central Office. Instead they are developed and awarded independently by contracting officers within VHA's network contracting offices. Of the 12 short-term SSACs that GAO reviewed, 7 did not adhere to VA and VHA policy for the development of short-term SSACs—including 5 where (1) a solicitation was not issued to the affiliate (a required document detailing VA's performance requirements to enable a prospective contractor to prepare its proposal); (2) the affiliate did not provide VHA a formal proposal outlining the services to be provided and instead submitted a price quote; and (3) negotiations were not conducted between the contracting officer and affiliate to address potential pricing issues before awarding the final contract. The contracting officer responsible for these five contracts cited the lack of adequate time to develop and award the contracts and a lack of contract negotiating skills as the primary factors that impacted his ability to ensure that these short-term SSACs adhered to VA and VHA policy requirements. By not developing standards for short-term SSACs, VA has limited assurance that contracting officers have enough time to develop and award these contracts and also adhere to VA and VHA policy requirements.

GAO found a high level of inexperience among contracting officers responsible for developing SSACs in all 21 of VHA's network contracting offices. Specifically, about one-third of medical sharing contracting officers had 1 year or less experience developing medical sharing contracts, including SSACs, and more than half of medical sharing contracting officers had 2 years or less medical sharing contract experience. The high level of inexperience can be attributed in part to high turnover in recent years. About one-quarter of medical sharing contracting officers working within network contracting offices either left VA or were reassigned to other contracting teams. Inconsistent with federal internal control standards, VA does not have a plan to address the retention of its contracting workforce, nor has it taken adequate steps to expand training opportunities to enhance the level of competence.

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Abbreviations

FTEE	full-time employee equivalent
OIG	Office of the Inspector General
PALT	procurement action lead time
SSAC	sole-source affiliate contract
VA	Department of Veterans Affairs
VAMC	VA medical center
VHA	Veterans Health Administration
VISN	Veterans Integrated Service Network

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May 6, 2016

The Honorable Mike Coffman
Chairman
Subcommittee on Oversight and Investigations
Committee on Veterans' Affairs
House of Representatives

Dear Chairman Coffman:

Since 1946, the Department of Veterans Affairs (VA) has partnered with medical schools to provide educational opportunities for resident physicians and other types of students and to increase the availability of specialty physicians to treat veterans in VA medical facilities.¹ This partnership has grown to include 124 of the 167 VA medical centers (VAMC) establishing affiliate relationships with at least one university medical school and its associated university hospital. As a part of these affiliate relationships, VA can obtain additional physician services from a university medical school, hospital, or affiliated physician practice group through expanded contracting authority—referred to as sole-source affiliate contracts (SSAC).² These SSACs are available only to VAMCs and their affiliates. SSACs allow a VAMC to obtain physician services directly from the affiliate without competition if those services are necessary to support learning opportunities for physicians during their residency training in VAMCs.³ From fiscal year 2011 through fiscal year

¹These partnerships, referred to as affiliations, can include a number of components—such as resident training in VA medical facilities, joint recruitment of physicians to work part time at both a VA facility and its affiliate, and research support.

²For the purposes of this report, we use the term physician services to describe services provided by physicians and other highly-qualified professionals that are necessary for the operation of clinical departments that train resident physicians at VAMCs. In this report, we use the term affiliate to describe any of the following three entities in a partnership with a VAMC: (1) a university medical school, (2) a university hospital, and (3) a university-affiliated physician practice group. If VA requires health care resources—such as physician services, medical equipment usage, or clinical space—and intends to acquire these resources from its affiliate due to their connection with a residency program, VA can enter into a non-competitive contract with the affiliate. See 38 U.S.C. § 8153(a)(3)(A).

³See Department of Veterans Affairs, *Health Care Resources Contracting—Buying*, Title 38 U.S.C. 8153, VA Directive 1663 (Aug. 10, 2006). For the purposes of this report, we refer to this directive as VA Directive 1663.

2015, VA had nearly 1,200 SSACs valued at almost \$724 million throughout its health care system.

SSACs can be used to fill short-term or long-term VAMC needs and the level of VA oversight they require varies by their value. Specifically, high-value, long-term SSACs have a total initial value of \$500,000 or more and provide affiliate services for more than 1 year.⁴ Among all SSACs, high-value, long-term SSACs require the most review from the Veterans Health Administration (VHA) Central Office and the VA Office of the Inspector General (OIG)—including technical reviews of the contract as it is developed and prior to its award.⁵ There are two types of low-value SSACs that are distinguished by the length of time the affiliate is providing services to the VAMC, and neither require oversight from VHA Central Office. Low-value, long-term SSACs have a total initial value of less than \$500,000 and provide affiliate services for more than 1 year. Short-term SSACs have a total initial value of less than \$500,000 and provide affiliate services for less than 1 year.

Previous studies have highlighted challenges VHA faces in developing and using SSACs. For example, the VA OIG found a number of weaknesses in VHA's development and use of SSACs—including that VHA had not appropriately priced SSACs, had not clearly defined the requirements of the affiliates, and could not reasonably ensure that

⁴The total initial value of a SSAC refers to the combined value of the contract's base period and any option periods included in the contract. For example, a high-value, long-term SSAC may have a base period of 1 year valued at \$1 million and four option periods that are 1 year each with a \$1 million value for each option period. This high-value, long-term SSAC would have a total initial value of \$5 million dollars.

⁵In this report, we use the term develop to describe a multistep process used to initiate, create, and review SSACs. This multi-step process includes actions related to acquisition planning for a SSAC, development and issuance of a solicitation used to inform the affiliate of VA's needs, development and evaluation of the affiliate's proposal, and preparation for and negotiation between the affiliate and VA. Within VA, VHA is the organization responsible for providing health care to veterans at medical facilities across the country.

VAMC staff were effectively monitoring affiliates' work under SSACs.⁶ The VA OIG attributed these weaknesses to VHA's poor acquisition planning and failure to fully implement an agency governing directive for the development of SSACs.⁷ You asked us to assess how VHA develops, manages, and monitors SSACs, including VHA's progress in addressing the weaknesses identified by the VA OIG. Specifically, in this report we examine

1. VHA's time frames for developing and awarding high-value, long-term SSACs;
2. VHA's use of short-term SSACs and how it oversees their development and use;
3. how much experience the workforce that develops SSACs has and what, if any, specialized training VHA provides; and
4. the challenges, if any, selected affiliates experienced with the development and use of SSACs.

To examine VA's time frames for developing and awarding high-value, long-term SSACs, we reviewed applicable VA and VHA policies and handbooks to determine the criteria for developing these contracts. We also interviewed officials from VHA Central Office involved in the

⁶See Department of Veterans Affairs Office of Inspector General, *Review of VA Sole-Source Contracts with Affiliated Institutions*, 09-00981-227 (Washington, D.C.: July 21, 2011), and Department of Veterans Affairs Office of Inspector General, *Audit of Veterans Health Administration Noncompetitive Clinical Sharing Agreements*, 08-00477-211 (Washington, D.C.: Sept. 29, 2008). In this 2011 report, the VA OIG found that VHA had not effectively implemented all of the requirements established by VA's directive that governs the development of SSACs. The VA OIG cited the primary reason for not fully and consistently implementing this directive is that VHA had not provided the VHA Medical Sharing Office—the VHA Central Office entity responsible for overseeing SSACs and ensuring compliance with VA's directive that governs the development of SSACs—with the necessary resources and had not provided training for VHA contracting and non-contracting staff. In the 2008 report, the VA OIG found that VHA needed to strengthen controls over SSAC performance monitoring to ensure VAMCs receive the services they purchase.

⁷VA Directive 1663 is the directive that outlines VA's policies and procedures for the establishment of medical sharing contracts, including SSACs. Medical sharing contracts are used to acquire the services of clinical personnel, such as physicians and other clinical specialists. These contracts can be used to fill vacancies for physicians in specialties that are difficult to recruit, supplement existing VAMC capacity by providing additional physicians in high-volume areas where VA also manages a staff of its own employees, or fill critical staffing vacancies on a long- or short-term basis.

oversight of SSACs—including the VHA Medical Sharing Office and the VHA Procurement and Logistics Office—to discuss their roles in overseeing the development and award of high-value, long-term SSACs.⁸ In addition, we conducted site visits to five VAMCs and the corresponding network contracting offices responsible for developing and awarding SSACs for these VAMCs.⁹ We selected these five VAMCs by reviewing reports on the number and value of SSACs throughout VHA. To ensure the reliability of these reports, we contacted officials responsible for generating them to discuss their limitations and compared the information contained in them with reports of active SSACs from the five VAMCs we selected. We found information contained in these reports to be sufficiently reliable for the purposes of this report. Each of the five VAMCs we selected had at least 20 SSACs with a VAMC combined total initial value of more than \$12 million. In addition, these VAMCs were located within different Veterans Integrated Service Networks (VISN) and were located within varying proximities to their affiliates.¹⁰ These five VAMCs were located in Indianapolis, Indiana; Miami, Florida; Minneapolis, Minnesota; Palo Alto, California; and San Antonio, Texas. During our site visits, we spoke with VAMC officials responsible for determining the need for and managing SSACs—including medical directors of specialty care lines with SSACs, contracting officer’s representatives, and VAMC leadership teams.¹¹ At the five corresponding network contracting offices, we spoke with network contracting office officials—including contracting

⁸The Medical Sharing Office is part of the VHA Procurement and Logistics Office and is responsible for overseeing the development of all SSACs.

⁹There are 21 network contracting offices within VHA that report to the VHA Procurement and Logistics Office in VHA Central Office and manage all the contracting activities of a single Veterans Integrated Service Network (VISN) and all VAMCs assigned to that VISN.

¹⁰VISNs oversee the day-to-day functions of VAMCs that are within their network. Each VAMC is assigned to a single VISN. At the start of fiscal year 2016, there were 21 VISNs, but VHA is in the process of consolidating some VISNs so that by the end of fiscal year 2018, there will be 18 VISNs. In many cases the affiliate is located in very close proximity to the VAMC. In other cases the affiliate and the VAMC are located several miles from each other making the movement of staff between locations more challenging.

¹¹Medical directors of specialty care lines within VAMCs are responsible for overseeing the clinical care provided by all providers within a specialty care line, including VA-employed and contract providers. A contracting officer’s representative is responsible for helping to develop the SSAC and for monitoring the performance of the contractor once the SSAC has been awarded. The contracting officer’s representative is identified by the VAMC and the contracting officer issues a delegation letter that serves as the staff member’s formal appointment as a contracting officer’s representative.

officers, supervisors responsible for overseeing the development and award of SSACs, and network contracting office leadership teams.¹²

In addition, we reviewed four to six contracts from each of the five VAMCs we visited. These contracts were chosen to ensure that our selection for each VAMC included contracts from at least three specialty care lines; at least one SSACs that did not require Medical Sharing Office review due to their total initial values, if available; and when possible, at least one SSAC that required review by the Medical Sharing Office due to its total initial value. We reviewed a total of 25 SSACs from these five VAMCs awarded for services provided in VAMCs from fiscal year 2011 through fiscal year 2015—11 high-value, long-term SSACs from three VAMCs; 2 low-value, long-term SSACs from one VAMC; and 12 short-term SSACs from four VAMCs.¹³ As a part of our analysis of these 25 SSACs, we reviewed the terms of the contracts and supporting documents to determine the total elapsed time spent by VHA staff in developing and awarding each contract. In addition, we assessed the VHA data available for measuring the elapsed time spent developing and awarding SSACs. We used a data collection instrument to capture information about various aspects of network contracting offices' experiences developing SSACs, including oversight by the Medical Sharing Office. We administered this data collection instrument from October 2015 through February 2016 to supervisors responsible for overseeing the development and award of SSACs in all 21 network contracting offices throughout VHA and received responses from all 21 network contracting offices.

To examine VA's use of short-term SSACs and how it oversees their development and use, we reviewed applicable VA and VHA policies and handbooks to determine the criteria for the development and use of short-term SSACs. We also interviewed officials from VHA Central Office involved in the oversight of SSACs—including the Medical Sharing Office and the VHA Procurement and Logistics Office—to discuss their roles in overseeing the development and use of short-term SSACs. During our site visits to five selected VAMCs and network contracting offices, we also

¹²Contracting officers are authorized to enter into, administer, or terminate contracts and make related determinations and findings. 1 C.F.R. § 602-1(a) and 48 C.F.R. § 801.602. For the purposes of this report, we use the term contracting officer to refer to both contracting officers and contracting specialists who assist them in performing their duties.

¹³These 25 SSACs had a total combined initial value of \$66.5 million or nine percent of the almost \$724 million total combined initial value of the nearly 1,200 SSACs awarded for services provided in VAMCs from fiscal year 2011 through fiscal year 2015.

spoke with VAMC-based officials responsible for determining the need for short-term SSACs, network contracting office-based contracting officers responsible for developing and awarding short-term SSACs, and network contracting office officials responsible for overseeing the development and award of short-term SSACs. In addition, we reviewed 12 selected short-term SSACs from four of our selected VAMCs. As part of our analysis of these selected short-term SSACs, we reviewed the terms of the contracts and supporting documentation to determine the total elapsed time spent by VHA staff developing and awarding each contract and whether or not there was evidence each contract complied with VA and VHA policy requirements.¹⁴ In addition, we reviewed available Medical Sharing Office data used to monitor SSAC use and development throughout VHA. We also analyzed responses related to the use of short-term SSACs from our data collection instrument that was administered to supervisors responsible for overseeing the development of SSACs in all 21 network contracting offices.

To examine how much experience the VHA workforce that develops SSACs has and what, if any, specialized training VHA provides, we analyzed responses related to staff turnover and experience levels from our data collection instrument that was administered to supervisors responsible for overseeing the development and award of SSACs in all 21 network contracting offices. To validate the responses we received on these data collection instruments, we (1) contacted a subset of respondents to verify their responses to a sample of questions from this instrument and (2) discussed contracting officer experience and training at an aggregate level with the VHA Office of Procurement and Logistics and the Medical Sharing Office. In addition, we interviewed contracting officers responsible for the 25 SSACs we selected for review about their experiences working within VHA's contracting workforce. We also interviewed all Medical Sharing Office staff and discussed the training they offer or provide to contracting officers.

To examine the challenges, if any, selected affiliates experienced with the development and use of SSACs, we interviewed representatives of the five affiliates that provided services to VAMCs under the 25 SSACs we selected for review and discussed their experiences with the development of SSACs. These five affiliates were awarded SSACs with a combined total initial value of about \$143 million or 20 percent of the almost \$724

¹⁴VA Directive 1663.

million combined total initial value of the nearly 1,200 SSACs awarded throughout VHA from fiscal year 2011 through fiscal year 2015. These affiliates were (1) Indiana University Health Care Associates, (2) University of Minnesota Physicians, (3) University of Texas Health Science Center at San Antonio, (4) University of Miami, and (5) Stanford University School of Medicine.

For each of our objectives, we reviewed relevant standards for internal control in the federal government.¹⁵ Information obtained from our site visits to VAMCs and network contracting offices, our discussions with affiliates, and our review of 25 selected SSACs cannot be generalized to all VAMCs, network contracting offices, affiliates, or SSACs. For additional details about the scope and methodology used in this report, see appendix I.

We conducted this performance audit from September 2014 to May 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

VHA oversees VA's health care system, which includes 167 VAMCs organized into 21 VISNs. At the start of fiscal year 2016, there were 21 VISNs, but VHA is in the process of consolidating some VISNs so that by the end of fiscal year 2018, there will be 18 VISNs. VISNs are charged with the day-to-day management of the VAMCs within their network; however, VHA Central Office maintains responsibility for monitoring and overseeing both VISNs and VAMCs. Oversight of the VHA contracting workforce and the contracts they create is provided by the VHA Office of Procurement and Logistics.

¹⁵See GAO, *Internal Control: Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999). Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

Types of SSACs

VA has a unique sole-source contracting authority that is available to VAMCs and their affiliates.¹⁶ This authority can be used by a VAMC to obtain physician services necessary for the operation of a residency program directly from the affiliate without full and open competition. For the purposes of this report, we grouped SSACs within VHA into three types—high-value, long-term; low-value, long-term; and short-term—based on their total initial value and the length of time affiliate services were required.

High-Value, Long-Term SSACs

These contracts have a total initial value of \$500,000 or more and require services for more than 1 year from the affiliate. High-value, long-term SSACs require the most VHA Central Office and VA OIG oversight of all SSACs—including three required reviews by Medical Sharing Office technical reviewers and required technical assistance from Medical Sharing Office staff for both the price analysis of the affiliate’s proposal and formal negotiations with the affiliate.

Developing and awarding high-value, long-term SSACs involves a multistep process that requires coordinated actions of VAMC-based contracting officer’s representatives; VAMC and VISN leadership officials; contracting officers and their supervisors within network contracting offices; Medical Sharing Office technical reviewers, price analysts, and negotiators; the VHA Office of Patient Care Services; the VA OIG; and the affiliate. The development of a high-value, long-term SSAC is initiated by the VAMC submitting an initial information package to the contracting officer that contains details needed to begin the acquisition process—including what services are required from the affiliate and approvals from VAMC and VISN officials to acquire these services through a SSAC. Once the network contracting office obtains this information from the VAMC, the development process of the high-value, long-term SSAC can begin.

VA and VHA policies and guidance documents discuss several activities that are necessary for the development and award of high-value, long-term SSACs. Generally, these activities occur in five phases:

- **Acquisition planning phase.** During this phase, VAMC staff are to obtain approval from VAMC and VISN officials to pursue a SSAC. The

¹⁶See 38 U.S.C. § 8153(a)(3)(A).

contracting officer responsible for the high-value, long-term SSAC is to develop the acquisition plan, listing all major milestones for the development of the contract.¹⁷ The Medical Sharing Office will complete a technical review of these acquisition plans.¹⁸

- **Solicitation phase.** During this phase, VAMC staff and the contracting officer are to develop the solicitation, which includes details of VA's performance requirements for the contract and required information the affiliate must submit for consideration. The Medical Sharing Office will complete a technical review of the solicitation and will coordinate the reviews of other stakeholders within VHA—including the Office of Patient Care Services and General Counsel.¹⁹ The contracting officer must resolve the findings from these reviews.²⁰ Once these findings are resolved, the solicitation will be issued to the affiliate.
- **Proposal phase.** During this phase, the contracting officer; VAMC-based staff, including the contracting officer's representative; and Medical Sharing Office staff are to hold a kick-off meeting with affiliate representatives to discuss the solicitation and VA's requirements for affiliate proposals and time frames for response.²¹ Following this meeting, the affiliate will develop its proposal and submit required documentation to VHA to support its proposed price.²²

¹⁷The contracting officer responsible for developing the high-value, long-term SSAC works with an acquisition team to develop the acquisition plan. This team always includes the network contracting office-based contracting officer responsible for developing the high-value, long-term SSAC and the VAMC-based contracting officer's representative. Additional members can include representatives from finance, business office, quality assurance, or staff involved in utilization review.

¹⁸VHA changed its policy and began requiring acquisition plan reviews in the fall of 2012 and the Medical Sharing Office began conducting technical reviews of acquisition plans in November 2012 in accordance with this policy change.

¹⁹Officials from these offices review all high-value, long-term SSAC solicitations based on their areas of expertise.

²⁰The resolution of these findings is often done in coordination with the acquisition team.

²¹Each solicitation contains a time period when the affiliate may develop and submit proposals. These time periods can be extended upon the affiliate's request.

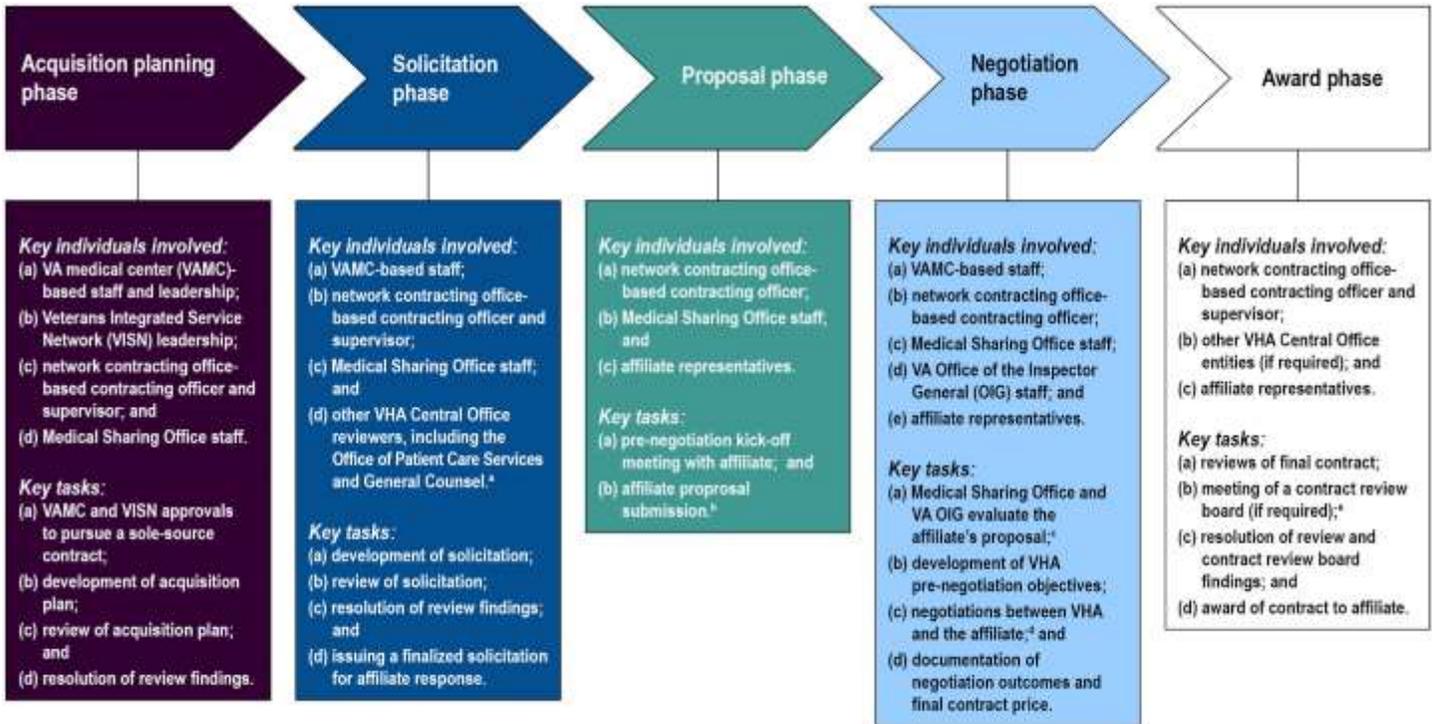
²²Affiliates are sometimes required to submit multiple proposals in response to VA's requests for additional information if this information was not submitted with the affiliate's initial proposal.

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- **Negotiation phase.** During this phase, Medical Sharing Office price analysts and the VA OIG are to evaluate the proposal submitted by the affiliate.²³ These evaluations are used by the Medical Sharing Office negotiator, Medical Sharing Office price analyst, contracting officer, contracting officer's representative, and subject matter experts to develop VA's pre-negotiation objectives prior to beginning negotiations with the affiliate. These pre-negotiation objectives are to serve as VA's basis for discussions with the affiliate about the price of the high-value, long-term SSAC. Following the development of these pre-negotiation objectives, negotiations with the affiliate will begin and are led by the Medical Sharing Office negotiator. Negotiations will continue until an agreement is reached between VHA and the affiliate. Following the conclusion of negotiations, the contracting officer will document the final contract price and outcomes of these discussions in a price negotiation memorandum.
 - **Award phase.** During this phase, the contracting officer is required to prepare the final contract and submit it and all supporting documentation to the Medical Sharing Office for a final pre-award technical review. For high-value, long-term SSACs with a total initial value of less than \$5 million, the Medical Sharing Office technical reviewer is to complete the final pre-award review of the contract. For high-value, long-term SSACs with a total initial value of \$5 million or more, the Medical Sharing Office technical reviewer is to coordinate a contract review board that includes stakeholders throughout VHA—including officials from the Medical Sharing Office, the Office of Patient Care Services, and General Counsel—to review the final contract. Following these reviews, the contracting officer will award the high-value, long-term SSAC to the affiliate.

See figure 1 for the key individuals and tasks involved in each contracting phase of high-value, long-term SSAC development and award.

²³VA OIG staff are required to evaluate the affiliate's pricing for all high-value, long-term SSAC affiliate proposals by VA Directive 1663. VA OIG staff produce a formal report on their price analysis and provide this report to the Medical Sharing Office and contracting officer.

Figure 1: Department of Veterans Affairs (VA) Veterans Health Administration (VHA) High-Value, Long-Term Sole-Source Affiliate Contract (SSAC) Development and Award Process Steps by Contracting Phase, as of March 2016



Source: GAO analysis of VA and VHA information. | GAO-16-426

Notes: High-value, long-term SSACs have a total initial value of \$500,000 or more. The total initial value of a SSAC refers to the combined value of the contract's base period and any option periods included in the contract. For example, a high-value, long-term SSAC may have a base period of 1 year valued at \$1 million and four option periods that are 1 year each with a \$1 million value for each option period. This high-value, long-term SSAC would have a total initial value of \$5 million dollars.

^aThe Medical Sharing Office coordinates the review of other VHA Central Office stakeholders—including the Office of Patient Care Services and General Counsel. Officials from these offices review all high-value, long-term SSAC solicitations based on their areas of expertise.

^bThe affiliate may submit multiple proposals in response to VHA requests for additional information and documentation if not submitted with the affiliate's initial proposal.

^cVA OIG staff are required to evaluate all high-value, long-term SSAC affiliate proposals and produce a formal report on their findings. See Department of Veterans Affairs, *Health Care Resources Contracting—Buying, Title 38 U.S.C. 8153*, VA Directive 1663 (Aug.10, 2006).

^dVHA and the affiliate may conduct multiple negotiation meetings to agree on the final terms and price of a contract.

^eFor high-value, long-term SSACs that exceed \$5 million in total initial value, the Medical Sharing Office coordinates the review and findings of a contract review board that includes representatives from throughout VHA—including the Office of Patient Care Services and General Counsel.

Low-Value, Long-Term SSACs

These contracts have a total initial value of less than \$500,000 and provide affiliate services for more than 1 year. All development activities

in the five contracting phases we describe above for high-value, long-term SSACs also apply to low-value, long-term SSACs with the exception of any activities involving Medical Sharing Office review, reviews by other stakeholders within VHA—including the Office of Patient Care Services and General Counsel, VA OIG analysis of affiliate proposals, Medical Sharing Office price analysis of affiliate proposals, and actions performed by the Medical Sharing Office negotiator. Due to these contracts falling below the \$500,000 Medical Sharing Office review threshold, contracting officers within network contracting office medical sharing teams are responsible for developing and awarding these contracts independently, including conducting negotiations with the affiliate.

Short-Term SSACs

These contracts have a total initial value of less than \$500,000 and cover service periods from the affiliate of up to 1 year. Development activities are comparable to those for low-value, long-term SSACs.

Contracting Workforce Structure at VHA

Both VHA contracting and clinical staff should work together to plan, execute, and monitor medical sharing contracts, including SSACs.²⁴ On the contracting side, contracting officers are responsible for developing, awarding, and administering contracts on behalf of the federal government. Each contracting officer is able to obligate federal funds up to a specified limit and a contracting officer must officially award all medical sharing contracts. Common tasks of a contracting officer include developing acquisition planning documents to begin preparations for medical sharing contracts, conducting market research to determine pricing and availability, and completing the formal competitive or non-competitive solicitation process for contracts.

Each contracting officer is overseen by a medical sharing team supervisor within their network contracting office. There are 21 network contracting offices that each develop and award contracts for VAMCs assigned to them. Network contracting offices are supervised by service area offices, which are VHA's regional contract management entities that oversee the activities of the 21 network contracting offices. VHA created three service area offices—east, west, central—to manage six to eight network contracting offices each. Service area offices are responsible for

²⁴SSACs are a type of medical sharing contract.

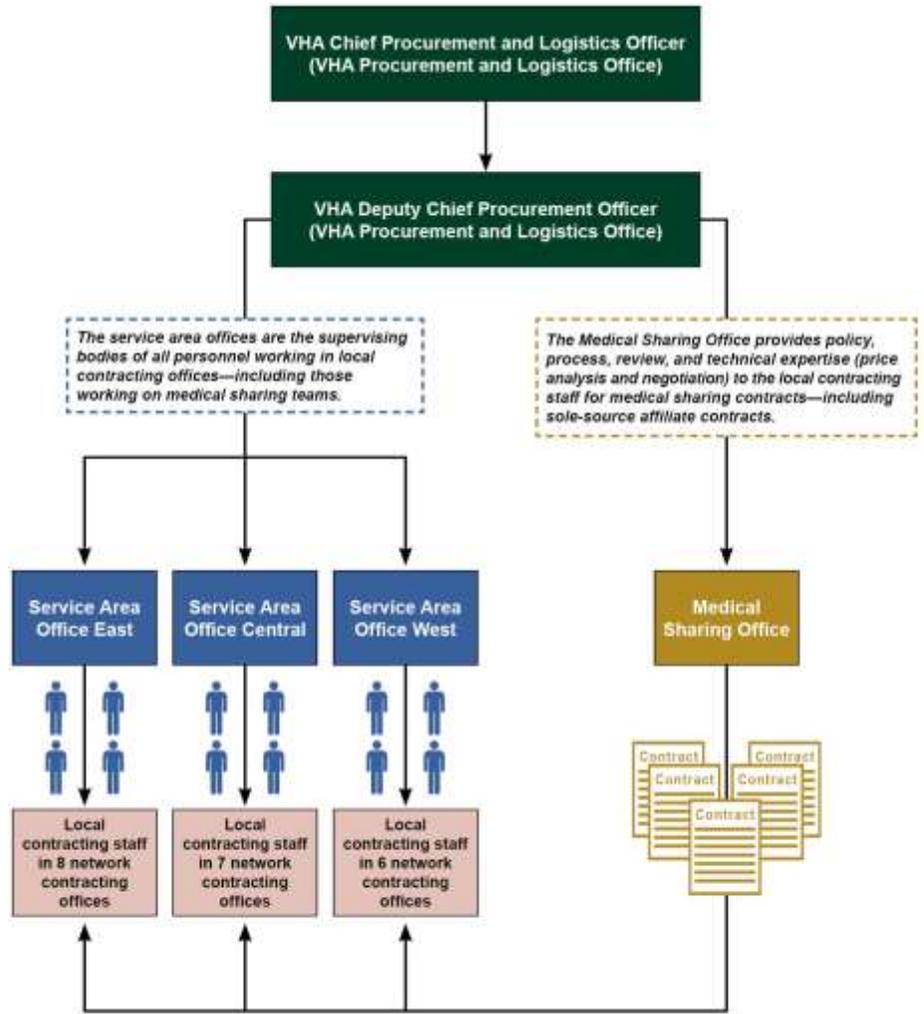
conducting technical reviews of most contracting actions; however they only conduct these reviews for medical sharing contracts, including SSACs, with total initial values of \$5 million or more that require review by a contract review board.²⁵ VHA created the Medical Sharing Office to provide guidance to contracting officers working in network contracting offices and oversee the development and award of medical sharing contracts. According to VA policy, the Medical Sharing Office reviews solicitations of all competitive medical sharing contracts valued at over \$1.5 million, all non-competitive contracts valued at \$500,000 or more—including SSACs—and all organ transplant and radiation oncology contracts.²⁶ Medical Sharing Office staff are to review these contracts three times: (1) prior to completion of the acquisition plan, which lays out milestones and required steps for a contract; (2) prior to issuance of each solicitation, which is the official government request for proposals from a contractor or contractors; and (3) prior to award of each contract.²⁷ In addition, for SSACs, the Medical Sharing Office also provides technical support for all SSACs valued at \$500,000 or more. This technical support should include detailed price analysis of the affiliate's proposal and the services of a trained negotiator. (See fig. 2.)

²⁵Service area office technical reviews serve as a quality assurance function during the development of most contracting actions within VHA. These technical reviews include reviews of contract solicitations. These technical reviews help ensure that all necessary provisions are in place prior to any competition or award of these contracts.

²⁶The Medical Sharing Office does not review any contracts for nursing services. Nursing contracts are processed and reviewed by service area offices.

²⁷Medical Sharing Office acquisition plan reviews include a review of each high-value, long-term SSAC's acquisition plan and approvals to sole-source the contract to ensure that the contracting officer has included sufficient documentation to support the use of a SSAC. Medical Sharing Office pre-solicitation reviews are conducted prior to the issuance of each high-value, long-term SSAC's solicitation and include a review of the solicitation and all supporting documents. Medical Sharing Office pre-award reviews are conducted after negotiations with the affiliate conclude. These reviews include a final check that all prior review findings were resolved and that all negotiation and pricing documentation is complete. For high-value, long-term SSACs that exceed \$5 million in total initial value, the Medical Sharing Office technical reviewer coordinates the findings and approvals of a contract review board that includes representatives throughout VHA—including the Office of Patient Care Services, General Counsel, Medical Sharing Office, and other VHA internal stakeholders.

Figure 2: Organization of the Veterans Health Administration (VHA) Contracting Workforce, as of March 2016



Source: GAO analysis of VHA information. | GAO-16-426

On the clinical side, two types of VAMC staff have responsibilities for helping to develop SSACs. For each SSAC, the VAMC is to designate a contracting officer’s representative at the VAMC to assist in the development of the SSAC and monitor the affiliate’s performance once

the contract is awarded.²⁸ Common tasks delegated to the VAMC-based contracting officer's representative include developing the initial information required to begin acquisition planning, referred to as the procurement package. This procurement package is to include a definition of the services the VAMC needs the affiliate to provide, approvals from both VAMC and VISN leadership officials to acquire these services through a SSAC, initial government cost estimates used to establish preliminary price estimates, and documentation that the VAMC has attempted and been unable to hire a VA-employed physician to provide the service. As we have previously reported, at VHA contracting officer's representatives in VAMCs are commonly administrative personnel responsible for managing the operations of a specialty care line—such as primary care or surgery—where the affiliate contractor will be working.²⁹ As we have previously reported, medical directors in various specialty care lines often assist contracting officer's representatives in developing these initial procurement packages and in monitoring the affiliate provider's performance because contracting officer's representatives lack the expertise to define clinical requirements and evaluate clinical performance.³⁰ Medical directors are responsible for overseeing the clinical care provided by all providers within a specialty care line, including VA-employed and contract physicians.

²⁸Once the VAMC identifies a staff member to serve as the contracting officer's representative, the contracting officer is to issue a delegation letter that serves as the staff member's formal appointment as a contracting officer's representative.

²⁹See GAO, *VA Health Care: Additional Guidance, Training, and Oversight Needed to Improve Clinical Contract Monitoring*, [GAO-14-54](#) (Washington, D.C.: Oct. 31, 2013).

³⁰See [GAO-14-54](#).

Selected VAMC's Time Frames for Developing High-Value, Long Term SSACs Can Be Significant, But VHA Has Not Established Standards for Timeliness and Does Not Collect Data

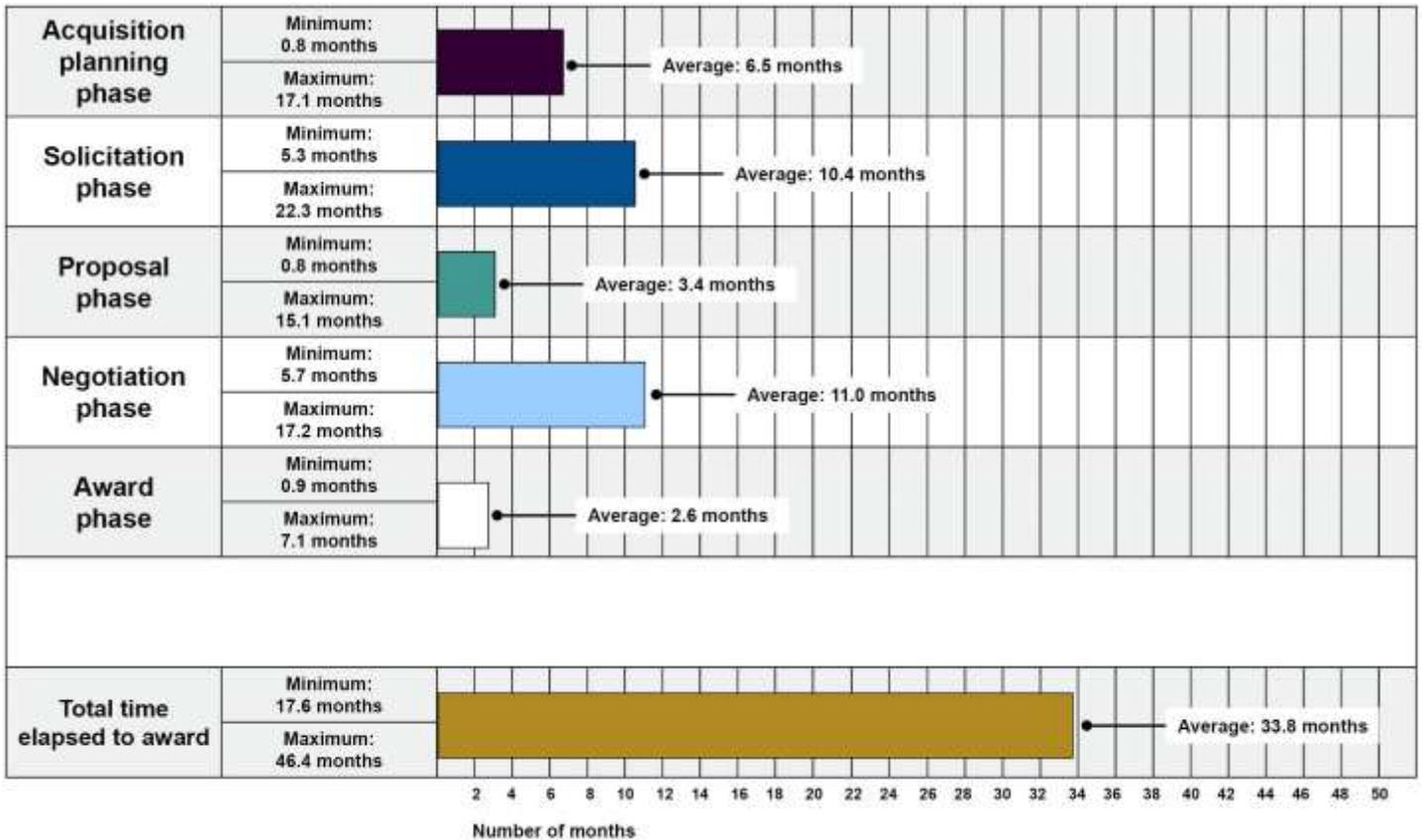
Selected High-Value, Long-Term SSACs Took Nearly 3 Years to Develop and Award

We found that the 11 high-value, long-term SSACs we selected for review from among three of the five VAMCs we visited took nearly 3 years (33.8 months) on average to develop and award.³¹ (See fig. 3.) The total time required for the development and award of these 11 high-value, long-term SSACs ranged from 18 to 46 months. The longest contracting phases for these high-value, long-term SSACs were the solicitation and negotiation phases.³²

³¹The average total initial value of our 11 selected high-value, long-term SSACs was \$5.7 million, with the total initial values of these contracts ranging from about \$800,000 to \$21.5 million. The median total initial value for these 11 high-value, long-term SSACs was \$4.5 million. One of our selected VAMCs acquired affiliate services exclusively through short-term SSACs and another of our selected VAMCs acquired affiliate services through low-value, long-term SSACs and short-term SSACs.

³²We also selected and analyzed two low-value, long-term SSACs. See appendix II for more information on the time required to develop these low-value, long-term SSACs.

Figure 3: Calculated Time Frames for the Development and Award of 11 Selected Department of Veterans Affairs (VA) High-Value, Long-Term Sole-Source Affiliate Contracts (SSAC), Awarded in Fiscal Years 2011 through 2015



Source: GAO analysis of VA and Veterans Health Administration information. | GAO-16-426

Note: Time frames for the development and award of 11 selected high-value, long-term SSACs from three VA medical centers (VAMC) are calculated using dates from available documentation in each contract's file; however, not all development actions are documented within contract files. As a result, this figure does not include calculations for actions that are not documented. The total time spent developing and awarding a high-value, long-term SSAC is calculated from the date the Veterans Integrated Service Network (VISN) approved the VAMC to acquire the service through a SSAC to the date the contract was awarded to the affiliate. VISNs are required to approve all SSACs before the formal solicitation process can officially begin. The duration of each contracting phase was calculated based on our analysis of selected contract files. Minimum and maximum values in this figure represent the shortest and longest time spent developing and awarding a single contract, as well as the shortest and longest time each phase took for a single contract. Average values in this figure represent the average time spent developing and awarding a high-value, long-term SSAC across all 11 of our selected contracts, as well as the average time each phase took across all 11 selected contracts.

According to leadership officials and contracting officers from all five of the network contracting offices we visited, establishing high-value, long-term SSACs in a timely manner has been challenging. These leadership

officials and contracting officers cited several reasons for these challenges—including (1) receiving a complete, actionable, and timely initial information package from the VAMC that contains information the contracting officer needs to begin acquisition planning; (2) lengthy review processes for high-value, long-term SSACs; (3) negotiation challenges with the affiliates on the price of high-value, long-term SSACs; and (4) VAMC resistance to developing and pursuing high-value, long-term SSACs.³³ In addition, 18 medical sharing supervisors from the 21 network contracting offices (86 percent) we contacted reported that the initial procurement packages that VAMCs submit to the network contracting office rarely or never include all required information needed for contracting officers to begin acquisition planning. Finally, seven medical sharing supervisors from the 21 network contracting offices (33 percent) we contacted reported that their contracting officers always or almost always had to resubmit information to the Medical Sharing Office for several reasons—including VAMCs and contracting officers using forms to prepare contract documentation that became outdated during the lengthy contract development process.

VAMC-based contracting officer's representatives and medical directors from all five of the VAMCs we visited also explained that establishing high-value, long-term SSACs has presented challenges for them. Nine of the 14 contracting officer's representatives we spoke with noted that they are often asked to resubmit initial information packages to the contracting officer throughout the development of a SSAC due to form updates or policy changes that occurred during the time they were creating these documents. For example, a contracting officer's representative from one of the VAMCs we visited explained that she had produced three different initial information packages for the network contracting office over a 3 year period that were intended to begin acquisition planning for one high-value, long-term SSAC. She told us that the network contracting office requested that she create a new initial information package each year because the network contracting office medical sharing team supervisor did not complete his review in a timely manner and the Medical Sharing Office had updated forms included in this initial information package while it was awaiting his approval.

³³Before a contracting officer can begin an acquisition, a procurement package must be received from the VAMC that includes information about the prospective high-value, long-term SSAC.

VAMC officials from all five VAMCs we visited told us that one of the challenges their VAMC faces is the length of time it takes to develop and award high-value, long-term SSACs. These officials noted that these lengthy development time frames can impact their VAMCs in a number of ways, including the potential for gaps in patient care and the need to repeatedly establish short-term solutions.

VHA Has Not Established Standards for the Timely Development of High-Value, Long-Term SSACs

VHA has not developed standards that can be used to measure the timeliness of VAMC, network contracting office, and Medical Sharing Office actions in developing high-value, long-term SSACs. In fiscal year 2016, VHA developed estimates for the maximum duration of each contracting phase, referred to as procurement action lead times (PALT).³⁴ Currently, the PALT goal for the development and award of a high-value, long-term SSAC is between 20.1 and 21.1 months. We found that 10 of the 11 high-value, long-term SSACs we reviewed exceeded these PALT goals by as little as 1.4 months and as many as 25.8 months. According to officials from the VHA Procurement and Logistics Office and the Medical Sharing Office, VHA does not use PALT goals as performance standards for VAMC, network contracting office, and Medical Sharing Office staff responsible for the development of high-value, long-term SSACs.

According to VHA Procurement and Logistics Office officials, VHA is currently developing revised PALT goals for several types of contracts, including SSACs. To test the validity of these revised PALT goals, VHA is determining how close one network contracting office's contract development time frames are to the revised PALT goals for several types of contracts. VHA is using this test to determine how it will measure each revised PALT goal and what may affect network contracting office performance, such as the type of contract or total initial value of the contract. These VHA Procurement and Logistics Office officials explained that there is no planned end date for this test and they do not expect to implement revised PALT goals across VHA until at least fiscal year 2017. These officials explained that the revised PALT goals will be used for setting expectations with VAMC officials for the length of time it should take to develop and award several types of contracts, including SSACs.

³⁴PALT goals are based on a variety of sources—including VA Directive 1663, standard operating procedures, and informal discussions.

Standards for internal control in the federal government state that control activities occur at all levels and functions of an agency and help ensure that management's directives are carried out.³⁵ An example of a control activity that all agencies use is the establishment and review of performance standards. Agencies need to establish control activities to monitor performance standards that are aimed at validating the propriety and integrity of organizational performance.

Without establishing clear performance standards for the maximum time each contracting phase should take and using these performance standards to evaluate the organizational performance of VAMCs, network contracting offices, and the Medical Sharing Office that are responsible for developing high-value, long-term SSACs, VHA cannot ensure that contracts are being developed in a timely and efficient manner.

VHA Does Not Collect Data on How Long It Takes To Develop SSACs

We found that VHA does not collect data on the length of time each contracting phase took to complete for any SSACs, including the 11 high-value, long-term and 12 short-term SSACs we selected for review.³⁶ Standards for internal control in the federal government state that information should be recorded and communicated to management and others within the agency that need it in a format and time frame that enables them to carry out their responsibilities.³⁷ VA's inability to analyze the time spent in each phase of SSAC contract development has the following disadvantages in terms of management decisions and accountability for SSAC development:

- **Real-time management decisions.** The absence of real-time data on the amount of time VAMCs, contracting officers within network contracting offices, and Medical Sharing Office reviewers are spending within each contracting phase limits VA's ability to make informed management decisions during the development of a SSAC. These management decisions could include changes to the

³⁵See [GAO/AIMD-00-21.3.1](#).

³⁶According to Medical Sharing Office officials, while this office does not routinely collect comprehensive information needed to monitor all contracting phases, it does periodically collect a limited amount of data on the amount of time Medical Sharing Office staff take to perform their technical review, price analysis, and negotiation functions for high-value, long-term SSACs. This information is used to internally monitor the amount of time taken by Medical Sharing Office staff to complete their work.

³⁷[GAO/AIMD-00-21.3.1](#).

assignment of staff that are either overburdened by their workloads or in need of additional training to build their competency with a particular type of contract or contracting phase. For example, if VHA had access to real-time data that showed a contracting officer was spending significantly longer than an established performance standard developing a solicitation for a high-value, long-term SSAC after the Medical Sharing Office approved the contract's acquisition plan, management would have the opportunity to intervene and offer assistance to keep the contract moving efficiently through the contracting phases. In addition, collecting real-time data would also allow VHA to more reliably determine what the appropriate PALT estimate should be for each contracting phase and set more realistic expectations between VAMCs requesting and contracting officers developing these contracts.

- **Performance and accountability.** Not having access to real-time data on the amount of time spent developing SSACs prevents VHA from effectively setting clear and consistent objectives for organizational performance and making improvements as needed. Access to real-time data would allow VHA to proactively identify areas of excessive investment or unusually long duration, identify any staff challenges, and give staff better tools to perform their jobs. For example, real-time data on the time required to complete each contracting phase for a high-value, long-term SSAC would allow the Medical Sharing Office to identify if there are areas in need of increased training or support throughout the network contracting offices that could be addressed through Medical Sharing Office training or assistance. In addition, real-time data on the time spent developing high-value, long-term SSACs would allow VHA to effectively measure organizational performance of the entities responsible for developing these contracts—including VAMCs, network contracting offices, and the Medical Sharing Office.

Short-Term SSACs Have Been Used to Overcome Lengthy High-Value, Long-Term SSAC Development Time Frames, but VHA Lacks Effective Oversight for their Development and Use

Short-Term SSACs Were Almost Always Used to Provide Services While Developing New or Replacement High-Value, Long-Term SSACs at Selected VAMCs

We found that all but 1 of the 12 selected short-term SSACs we reviewed were created to provide services while high-value or low-value, long-term SSACs were being newly developed or replaced at the VAMCs we visited, as discussed below.

- **Coverage while a new high-value, long-term SSAC is developed.** Once a need for a new high-value, long-term SSAC is identified, VAMCs often need access to affiliate physicians before the high-value, long-term SSAC can be developed to provide necessary care to veterans. In these cases, VAMCs and network contracting offices often use short-term SSACs to provide affiliate services while the high-value, long-term SSAC is being developed. Five of our 12 selected short-term SSACs were awarded to allow affiliate services to begin while the high-value, long-term SSACs were being developed for the same services.
- **Coverage to bridge the gap between an expired or expiring high-value, long-term SSAC and its replacement.** When an existing high-value, long-term SSAC is about to or has recently expired, VAMCs often continue to need the affiliate's services but a replacement high-value, long-term or low-value, long-term SSAC is not always ready to be awarded. In these cases, VAMCs and network

contracting offices often use short-term SSACs to “bridge” the time between the expiration of the original high-value, long-term SSAC and its replacement.³⁸ However, using short-term SSACs as bridge contracts creates duplicative work for VAMC and contracting staff because they must simultaneously develop both the short-term SSAC bridge contract and the replacement high-value, long-term or low-value, long-term SSAC. Six of our 12 selected short-term SSACs were awarded as bridge contracts.³⁹

The remaining short-term SSAC we reviewed was awarded to fill a short-term staffing need at a VAMC. According to the contracting officer and the VAMC-based contracting officer’s representative responsible for developing and awarding the contract, the VAMC needed an affiliate physician to provide care to veterans for a short period of time while the VAMC recruited a VA-employed physician.

We found that the use of these 12 short-term SSACs was consistent with reports from a number of medical sharing supervisors throughout VHA. Specifically, we found that 12 medical sharing team supervisors from the 21 network contracting offices (57 percent) we contacted reported that the most prevalent reason that they opt to award short-term SSACs is to avoid any gaps in services due to the length of time it takes to develop and award high-value, long-term SSACs. We analyzed the 12 selected short-term SSACs from four VAMCs to determine if there was a significant difference in the time required to develop and award short-term and high-value, long-term SSACs.⁴⁰ While differences in complexity of services or other factors could be relevant to the time differences, we found that it took about 94.4 days (3.1 months) on average to develop and award our 12 selected short-term SSACs, while it took almost 3 years

³⁸Bridge contracts are extensions of previous contracts or short-term, sole-source contracts to incumbent contractors that are used when a contract is set to expire and there is a continuing need for services, but the follow-on contract is not ready to be awarded. See GAO, *Sole-Source Contracting: Defining and Tracking Bridge Contracts Would Help Agencies Manage Their Use*, [GAO-16-15](#) (Washington, D.C.: Oct. 14, 2015).

³⁹Five of these short-term SSACs will be replaced with high-value, long-term SSACs and one will be replaced with a low-value, long-term SSAC.

⁴⁰One of our selected VAMCs did not have any active short-term SSACs at the time of our review and, as a result, we selected only high-value, long-term SSACs for review from this VAMC.

(33.8 months) to develop and award our 11 selected high-value, long-term SSACs.⁴¹

We found that VHA does not have a policy that requires VAMCs and network contracting offices to engage in timely acquisition planning to ensure that expiring high-value, long-term SSACs are replaced without the need to use a short-term SSAC as a bridge contract. Contracting officers responsible for three of the six short-term SSACs used as bridge contracts we reviewed reported that delays in receiving information from the VAMC to begin acquisition planning or delays in their network contracting offices' review of the replacement high-value, long-term SSAC planning documents led to the need to establish a short-term SSAC as a bridge contract. VA's governing directive for the development of SSACs does not specify when VAMC and network contracting office staff should begin acquisition planning activities to replace an existing high-value, long-term SSAC.⁴² However, Medical Sharing Office officials explained that VISNs and network contracting offices receive monthly reports that provide information on the status of their medical sharing contracts, including all SSACs, to help with succession planning for contracts that will soon expire. This monthly report groups all active medical sharing contracts from each network contracting office and VAMC into three categories: (1) those that are expiring within 6 months, (2) those that will expire within 18 months, and (3) those that will expire in more than 18 months.

Standards for internal control in the federal government state an agency should provide for an assessment of the agency's risk associated with achieving its objectives, including identifying risks through forecasting and strategic planning.⁴³ Once the risks have been identified, agencies should establish control activities to manage those risks and better achieve effective results, such as by establishing policies and procedures for monitoring performance.

⁴¹The median time required to develop and award these 12 short-term SSACs was about 57 days (1.9 months) and the median time to develop and award our 11 selected high-value, long-term SSACs was 972 days (32 months). Our 11 selected high-value, long-term SSACs were from three VAMCs.

⁴²VA Directive 1663.

⁴³See [GAO/AIMD-00-21.3.1](#).

VHA has data in its monthly reports that would allow the network contracting offices and VISNs to forecast and better manage their use of short-term SSACs. However, without establishing requirements for VAMC and network contracting office staff to appropriately plan for the timely replacement of expiring high-value, long-term SSACs, VHA increases its risk that these staff are not completing these activities in time to minimize VA's use of short-term SSACs as bridge contracts. As a result, VHA lacks assurance that: (1) its staff are performing and accountable for their roles in ensuring that replacement high-value, long-term SSACs are developed in time and (2) it is minimizing duplicative work when short-term SSACs are used as bridge contracts.

The Medical Sharing Office Does Not Consistently Review Available Data to Identify Patterns of Overreliance on Short-Term SSACs

Despite having oversight authority over SSACs, the Medical Sharing Office does not consistently review available data on all SSACs awarded throughout VHA and in particular the level of reliance on short-term SSACs. As previously discussed, the Medical Sharing Office creates monthly reports that identify all awarded SSACs throughout VHA and distributes these reports to all VISNs and network contracting offices for their own planning purposes. However, according to a Medical Sharing Office official, the Medical Sharing Office does not analyze these reports to identify patterns of network contracting office overreliance on short-term SSACs—including the repetitive use of short-term SSACs in lieu of developing high-value, long-term SSACs. This Medical Sharing Office official told us that the Medical Sharing Office has limited staff resources for conducting such a review.⁴⁴ Instead, Medical Sharing Office officials explained that they rely on network contracting offices to take action

⁴⁴Currently, the Medical Sharing Office has 18 staff, including 1 director, 1 deputy director, 1 operations manager, 2 program analysts, 1 training officer, 6 technical reviewers, 3 price analysts, and 3 negotiators. The Medical Sharing Office director is responsible for managing the Medical Sharing Office and supervising the program analysts, deputy director, and operations manager. The Medical Sharing Office deputy director supports the director and supervises the training officer and technical reviewers. The Medical Sharing Office operations manager supervises the price analysts and negotiators and provides policy oversight for medical sharing contracts. The program analysts are responsible for producing Medical Sharing Office oversight reports and maintaining data on Medical Sharing Office staff time investments on medical sharing contracts. The training officer is responsible for developing and delivering all Medical Sharing Office training curriculum and maintaining Medical Sharing Office online resources and templates. The six technical reviewers are responsible for reviewing high-value, long-term SSACs and other types of medical sharing contracts at various stages of the procurement process. The three price analysts are responsible for analyzing affiliate and other contractor proposals. The three negotiators are responsible for leading negotiations for all high-value, long-term SSACs.

themselves to determine if they are selecting the appropriate term for their contracts. These Medical Sharing Office officials explained that the optimal term for a SSAC is 5 years. As a result, the majority of SSACs would ideally be long-term contracts, either low-value or high-value.

However, seven medical sharing supervisors from the 21 network contracting offices we contacted and leadership teams and contracting officers from 3 of the 5 network contracting offices we visited said that at times they have purposefully developed short-term SSACs in lieu of high-value, long-term SSACs because the Medical Sharing Office does not review any short-term SSACs. In addition, we found that half (6) of the 12 short-term SSACs we selected for review had a final value that exceeded the \$500,000 Medical Sharing Office review threshold when they were extended beyond their initial performance period.⁴⁵ The performance period for these contracts was between 3 to 7 months and they were extended for up to 11 months. As a result of these extensions, the total value for these six contracts ranged from almost \$686,000 to \$1.4 million—well beyond the \$500,000 Medical Sharing Office review threshold. In addition, we found that one network contracting office we reviewed procured affiliate services for one of our selected VAMCs exclusively through short-term SSACs.⁴⁶ If the Medical Sharing Office had reviewed available data on SSAC usage throughout VHA, it could have identified such patterns of short-term SSAC usage in these network contracting offices and determined if their usage was appropriate and taken further action to determine if they were designed to circumvent Medical Sharing Office oversight.

Standards for internal control in the federal government state that control activities should occur at all levels of an agency to help ensure that management's directives are carried out by staff.⁴⁷ Top-level reviews of actual performance by agency management are needed to track major agency achievements and compare these to the plans, goals and objectives they have previously established. Without analyzing available contract data, VHA increases its risk that not all network contracting offices are developing and submitting high-value, long-term SSACs to the

⁴⁵48 C.F.R. § 52.217-8 allows the contracting officer to extend the performance period of a contract for a maximum of 6 months. All six of these contracts included this clause.

⁴⁶An official from this network contracting office told us that work had recently begun to transition a few of these short-term SSACs to high-value, long-term SSACs.

⁴⁷[GAO/AIMD-00-21.3.1](#).

Medical Sharing Office for review as required or that network contracting offices may be over relying on short-term SSACs to intentionally circumvent Medical Sharing Office review. As a result, VHA cannot ensure that it is benefiting fully from the increased oversight and technical expertise the Medical Sharing Office contributes to the development of high-value, long-term SSACs.

Selected Network Contracting Offices Failed to Adhere to VA and VHA Policy Requirements

We found that 7 of the 12 short-term SSACs we selected for review from two network contracting offices did not follow VA and VHA policy for the development of SSACs. For example, we found five short-term SSACs we reviewed from one network contracting office where (1) a solicitation was not issued to the affiliate, (2) the affiliate did not provide VHA a formal proposal outlining their services and instead submitted a price quote, and (3) negotiations were not conducted to address potential pricing issues before awarding the final contract. All five of these short-term SSACs were established to fill service gaps at the VAMC while a new high-value, long-term SSAC was being developed. The other two short-term SSACs that did not follow VA and VHA policy for the development of SSACs had similar policy adherence problems.

The contracting officer responsible for the five short-term SSACs discussed above explained that he was often given as little as 10 business days to develop and award a short-term SSAC before the prior short-term SSAC expired. As a result, he did not issue a solicitation to the affiliate and instead provided a copy of the final contract for the affiliate's review. In addition, the affiliate did not provide a formal proposal outlining their services to be provided due to the time constraints and instead returned a price quote with limited details about how the price was determined and a signed copy of the final contract. This contracting officer also reported that he did not have the skills needed to conduct negotiations with the affiliate and, as a result, awarded several of these short-term SSACs for the value of the affiliate's price quote.⁴⁸ VHA policy requires that all contracts above \$150,000 be reviewed by a peer or second-level reviewer.⁴⁹ We found that this contracting officer's supervisor had reviewed all five of these contracts prior to their award;

⁴⁸Contracting officer training is discussed later in this report.

⁴⁹See Veterans Health Administration, *Veterans Health Administration Procurement Manual*, Chapter VIII: Integrated Oversight Process (IOP)/Contract Review Process (July 16, 2013).

however, they were still awarded and the review process did not identify the areas that did not adhere to VA and VHA policy requirements for the development of SSACs.

VA does not have standards for the minimum amount of time necessary to develop and award a short-term SSAC. As a result, it cannot ensure that contracting officers will be provided enough time to complete all the processes associated with these contracts and adhere to VA and VHA policies. Federal internal control standards recommend that agencies establish processes to ensure the proper execution of transactions, including the provision of the proper amount of supervision.⁵⁰ Without ensuring that contracting officers are adhering to VA and VHA policies and network contracting offices are effectively reviewing the development of short-term SSACs as required by VA and VHA policies, VHA may be at risk for overpaying for affiliate services provided through these contracts.

High Turnover and Limited Training Opportunities Result in Inexperienced VHA Medical Sharing Contracting Officers and Impede the Development of SSACs

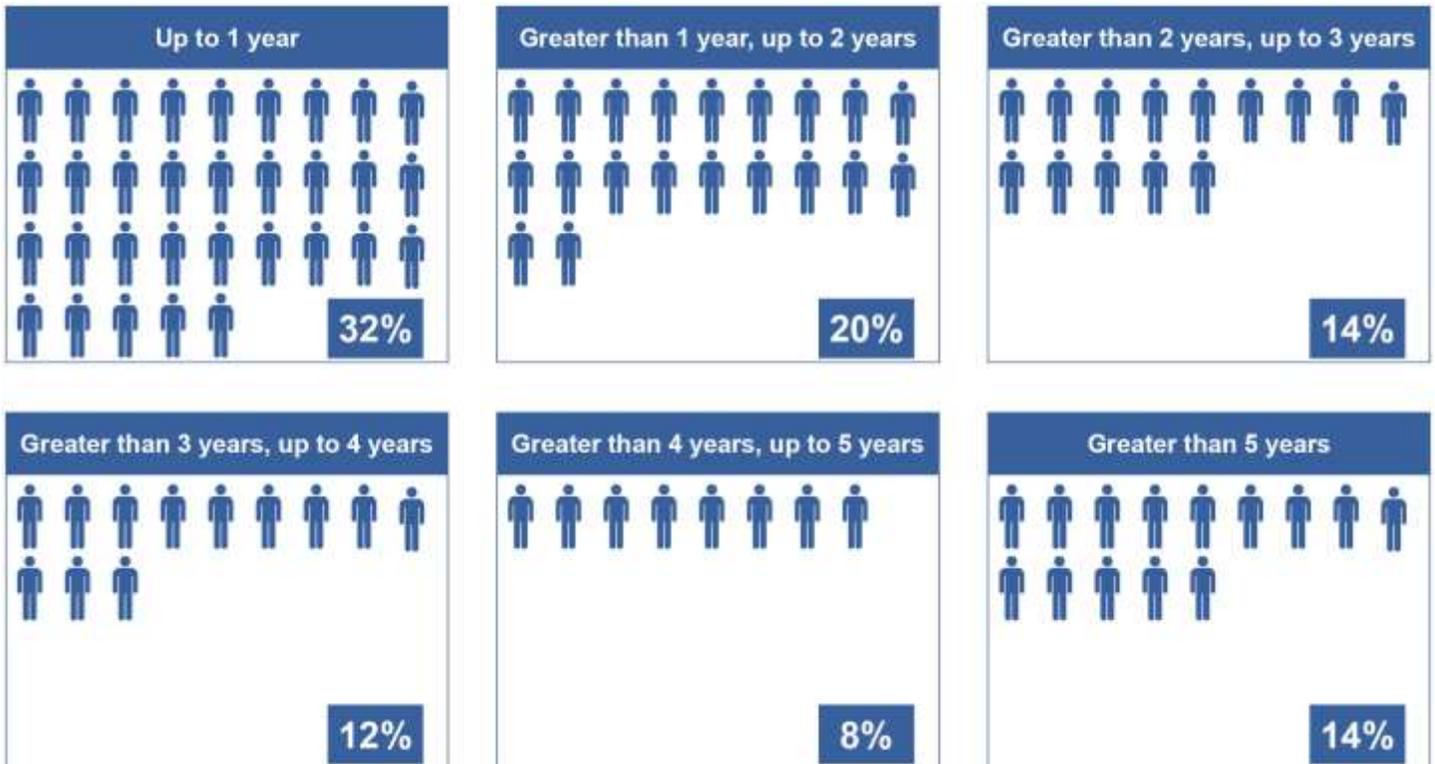
⁵⁰[GAO/AIMD-00-21.3.1.](#)

**More Than Half of VHA
Medical Sharing
Contracting Officers Have
2 Years or Less
Experience with Medical
Sharing Contracts**

We found a high level of inexperience among contracting officers responsible for developing SSACs in all 21 network contracting offices.⁵¹ We found that about one-third of medical sharing contracting officers had 1 year or less experience developing medical sharing contracts and more than half had 2 years or less medical sharing contract experience. Further, we found that less than one-quarter of medical sharing contracting officers had more than 4 years of experience developing medical sharing contracts. (See fig. 4.) As a result, more than half of all medical sharing contracting officers may not have been working on medical sharing teams long enough to see a high-value, long-term SSAC through from start to finish; as demonstrated by the 11 selected high-value, long-term SSACs we reviewed that took almost 3 years (33.8 months) on average to develop and award.

⁵¹Medical sharing team supervisors who serve as the contracting officer on medical sharing contracts within their network contracting offices are counted as contracting officers for the purposes of this analysis. Our data collection instrument used to gather information on contracting officer experience asked medical sharing supervisors within the 21 network contracting offices to provide the number of years of experience each contracting officer responsible for medical sharing contracts in their offices had with (1) medical sharing contracts, (2) VA contracts, and (3) federal contracts.

Figure 4: Experience Levels of Veterans Health Administration (VHA) Contracting Officers Working within Network Contracting Office Medical Sharing Teams, Fiscal Year 2015



Source: GAO analysis of VHA information. | GAO-16-426

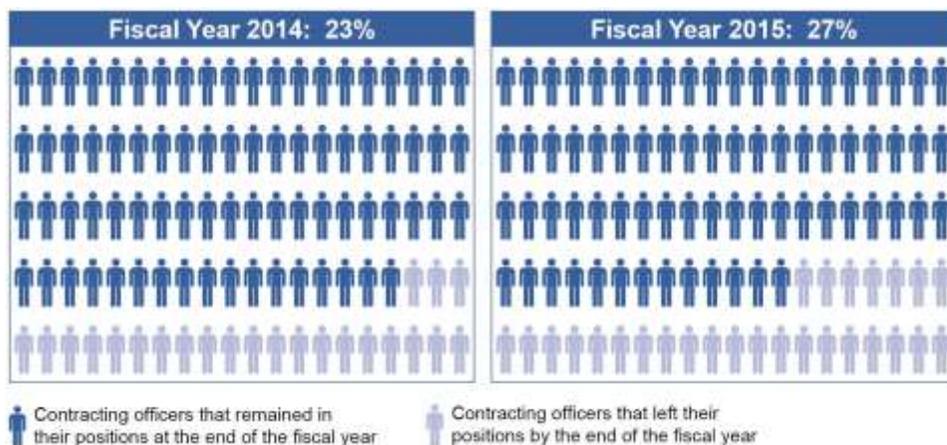
Note: For the purposes of this figure, contracting officers include all contracting officers and the contracting specialists who assist them in developing medical sharing contracts. Medical sharing team supervisors who serve as the contracting officer on medical sharing contracts within their network contracting offices are counted as contracting officers for the purposes of this figure.

VHA Experienced Over 25 Percent Turnover among Medical Sharing Contracting Officers in Fiscal Year 2015

A high level of turnover among medical sharing contracting officers further exacerbates the level of inexperience among staff responsible for developing SSACs. Specifically, network contracting office medical sharing teams experienced significant turnover in fiscal years 2014 and 2015. In fiscal year 2014, 23 percent (49 of 217) of medical sharing contracting officer full-time employee equivalents (FTEE) either resigned or transferred to another VHA contracting team. In fiscal year 2015, this

number increased to 27 percent (65 of 239).⁵² (See fig. 5.) The maximum turnover experienced by a single network contracting office in its medical sharing contracting officer ranks was 58 percent (7 of 12) in fiscal year 2014 and 78 percent (7 of 9) in fiscal year 2015.

Figure 5: Turnover among Veterans Health Administration (VHA) Contracting Officers Working within Network Contracting Office Medical Sharing Teams, Fiscal Years 2014 and 2015



Source: GAO analysis of Veterans Health Administration information. | GAO-16-426

Note: For the purposes of this figure, contracting officers include all contracting officers and the contracting specialists who assist them in developing medical sharing contracts. Medical sharing team supervisors who serve as the contracting officer on medical sharing contracts within their network contracting offices are counted as contracting officers for the purposes of this figure.

Medical Sharing Office officials acknowledged that they had also observed considerable contracting officer turnover on network contracting office medical sharing teams. They explained that this turnover hinders the SSAC development process because newer contracting officers have greater difficulty developing high-value, long-term SSACs due to a lack of experience and knowledge. For example, inexperienced contracting officers typically have significantly more technical review findings during all three Medical Sharing Office technical reviews and greater difficulty resolving them, according to Medical Sharing Office officials. Medical

⁵²The average size of a network contracting office medical sharing team was 11.4 FTEEs in both fiscal years 2014 and 2015. The median was 11 FTEEs in fiscal year 2014 and 10 FTEEs in fiscal year 2015.

Sharing Office officials told us that they believe it takes approximately 5 years for a contracting officer to become experienced in developing medical sharing contracts, including SSACs. Medical Sharing Office officials said they have determined that contracting officers need at least 5 years to gain proficiency developing medical sharing contracts because the Medical Sharing Office does not see a decline in review findings from a contracting officer until they have submitted three to four contracts for Medical Sharing Office review and this process often takes several years to complete due to the lengthy development time frames for high-value, long-term SSACs.

Medical sharing supervisors offered several potential explanations for turnover on medical sharing teams. Medical sharing supervisors from 8 of the 21 network contracting offices (38 percent) attributed contracting officer turnover on their teams to dissatisfaction with working on medical sharing contracts. These supervisors explained that contracting officers' dissatisfaction with working on medical sharing contracts often stemmed from job burnout, the complexity of and workload associated with medical sharing contracts, the workload associated with medical sharing teams, and frustration with the layers of review required for these contracts. These views were consistent with comments shared by some contracting officers. For example, contracting officers from one network contracting office told us that they would prefer to transfer to another VHA contracting team within their current network contracting office because other contracting teams can execute contracts more quickly, which would improve their daily job satisfaction. In addition, officials from one network contracting office told us that the significant length of time needed to execute high-value, long-term SSACs contributes to reduced and delayed job satisfaction for medical sharing contracting officers; in contrast, contracting officers on other contracting teams can execute other types of contracts much more quickly.

VHA does not have a plan for addressing medical sharing contracting officer turnover. In addition, Medical Sharing Office officials told us that there are currently no incentives for a contracting officer to elect to work on medical sharing contracts. These Medical Sharing Office officials explained that because contracting officers receive the same compensation regardless of the VHA contracting team they work on, there is little incentive for medical sharing contracting officers to remain in medical sharing teams when other contracting teams may have less complex work or requirements. Additionally, with about one-quarter of network contracting office medical sharing contracting officers turning over each year, contracts assigned to outgoing staff are reassigned to those staff that remain in medical sharing teams. According to a Medical

Sharing Office official, reassigned contracts are difficult for the remaining medical sharing staff to pick up quickly because each contract has details and nuances that are unique.

Standards for internal control in the federal government state that effective management of an organization's workforce is essential to achieving results.⁵³ Only when agencies have the right personnel for the job on board and are provided the right training tools, structures, incentives, and responsibilities is operating success possible. As part of its human capital planning management, an agency should consider how best to retain valuable employees and ensure continuity of needed skills and abilities.

Given the current limited experience levels and high turnover on medical sharing teams, network contracting offices have no assurance that they can maintain and develop the contracting officers' skillsets that are necessary for developing complex medical sharing contracts, such as SSACs. Without a plan to address the lack of experience and high turnover among medical sharing contracting officers, VHA cannot reasonably ensure that it is developing the skills that are critical for the timely development of high-quality SSACs.

VHA Has Limited Training Designed to Improve the Skills of Medical Sharing Contracting Officers

The Medical Sharing Office has developed and offered three in-person training courses to improve the contracting expertise of medical sharing staff in response to previous recommendations from GAO.⁵⁴ (See fig. 6.) These three courses are designed to progressively build a contracting officer's competence in developing medical sharing contracts—including SSACs.

- Basic Health Care Contracting presents the fundamentals of medical sharing contract development.
- Advanced Health Care Contracting teaches medical sharing laws, regulations, and processes for contracting reviews.
- Health Care Pricing is designed to teach pricing and negotiations with an emphasis on SSACs.⁵⁵

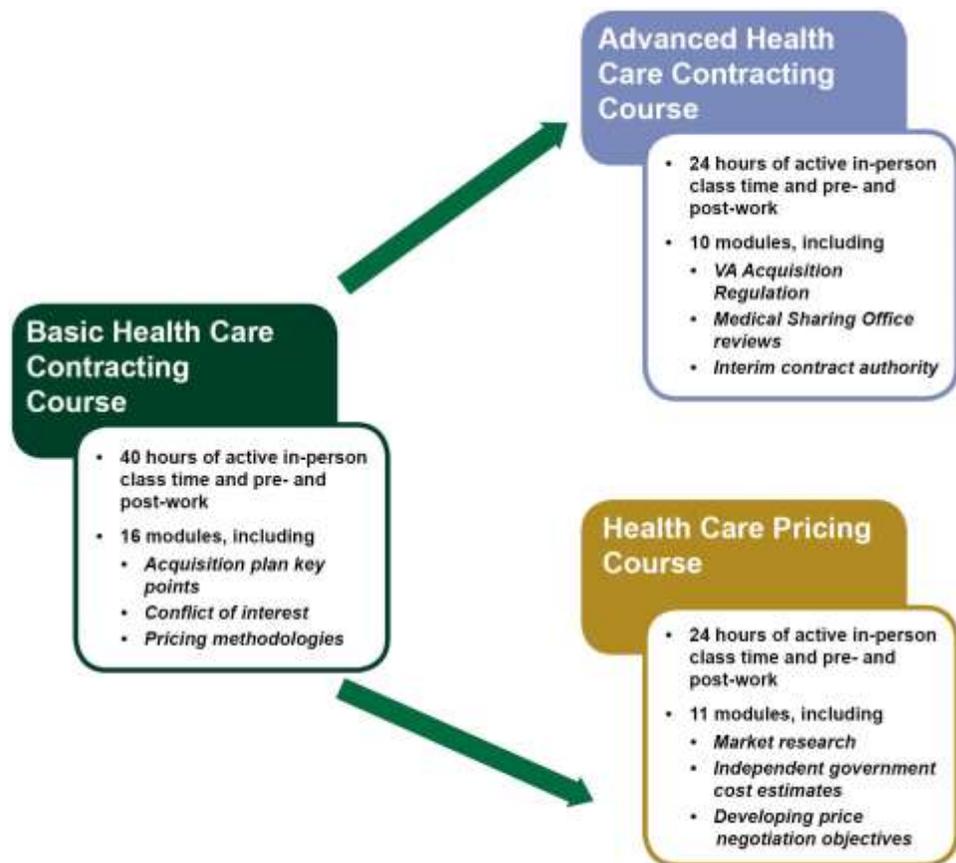
⁵³See [GAO/AIMD-00-21.3.1](#).

⁵⁴See [GAO-14-54](#).

⁵⁵Basic Health Care Contracting is the prerequisite for both Advanced Health Care Contracting and Health Care Pricing.

According to Medical Sharing Office officials, these three courses were designed to be delivered in-person to facilitate the exchange of experience and ideas across participants from network contracting offices throughout VHA. These officials explained that these courses are hosted by one of the three service area offices and the host service area office receives 50 percent of the total participant slots for contracting officers from its network contracting offices. The remaining 50 percent of the participant slots are divided equally between contracting officers from network contracting offices that report to the other two service area offices.

Figure 6: Department of Veterans Affairs (VA) Veterans Health Administration (VHA) Medical Sharing Office Training Courses for VHA Contracting Officers



Source: GAO analysis of VHA information. | GAO-16-426

A Medical Sharing Office official reported noticing improvements in the high-value, long-term SSACs developed by contracting officers who participated in these trainings. Furthermore, Medical Sharing Office officials reported in February 2016 that over 90 percent of all participants for each of the Medical Sharing Office training classes reported that the trainings increased their medical sharing competency and that the information presented would contribute to their job performance. According to Medical Sharing Office officials, as of fiscal year 2015, 87 percent of medical sharing contracting officers within network contracting offices have completed the Basic Health Care Contracting course, 27 percent of medical sharing contracting officers within network contracting offices have completed the Advanced Health Care Contracting course, and 13 percent of medical sharing contracting officers within network contracting offices have completed the Health Care Pricing course.

Since fiscal year 2015, VHA has not consistently provided training for medical sharing teams in network contracting offices throughout VHA, despite experiencing high turnover and significant inexperience among medical sharing contracting officers in network contracting offices. We found that in fiscal year 2015, VHA canceled one of three offerings of its Basic Health Care Contracting course, two of six offerings of its Advanced Health Care Contracting course, and one of three offerings of its Health Care Pricing course due to budget limitations for contracting officers' travel to attend the courses.⁵⁶ In addition, Medical Sharing Office officials reported that they typically determine the number of course offerings for each fiscal year based on the number of contracting officers within network contracting offices that need each type of training. For fiscal year 2016, Medical Sharing Office officials told us that using this method they would need to schedule 12 courses throughout the fiscal year. However, due to budget concerns, they were only allowed to schedule seven course offerings for fiscal year 2016 and four of these seven course offerings have already been postponed. In addition, VHA Central Office requested that the Medical Sharing Office cut the class size of each course offering by 25 percent.

⁵⁶VHA officials stated in March 2016 that funding for medical sharing related contracting training must be paid for by VHA and VA will not allocate Federal Acquisition Institute funds to support these courses. According to these officials, Federal Acquisition Institute funds are intended to be used to develop and deliver training resources to federal acquisition professionals. VHA officials reported that VA has denied the Medical Sharing Office access to these funds because the courses they offer are directed only towards VHA acquisition professionals.

Also, officials from one network contracting office explained that even before the budget constraints, getting network contracting office staff into Medical Sharing Office training was challenging because there were a limited number of openings for each training session. They said that, typically, one or two individuals from each network contracting office could get into a Medical Sharing Office training course at a time, and as a result, it took a significant amount of time to get all contracting officers from his network contracting office trained. Additionally, 16 medical sharing supervisors from the 21 network contracting offices (76 percent) reported that additional training opportunities—including more course offerings and reduced restrictions on travel for these training courses—would improve the career path and skill building opportunities for contracting officers within network contracting office medical sharing teams.

Standards for internal control in the federal government state that agencies should establish good human capital policies and practices—such as appropriate practices for training.⁵⁷ Training should be aimed at developing and retaining employees' skill levels to meet changing organization needs. Without determining how to either provide these existing training courses or developing alternatives that do not require travel in response to a changing budgetary environment, VHA cannot build the skills of its medical sharing contracting officers and overcoming the challenges associated with their inexperience.

Selected Affiliates Reported Communication and Coordination Challenges with VHA Regarding SSACs

Representatives from the five affiliates that provide services through SSACs to our selected VAMCs reported communication and coordination challenges with VHA during the development of their SSACs. As previously stated, these five affiliates were awarded SSACs with a combined total initial value of about \$143 million or 20 percent of the almost \$724 million combined total initial value of the nearly 1,200 SSACs awarded throughout VHA from fiscal year 2011 through fiscal year 2015. Representatives from these affiliates noted challenges related to receiving information on changes to VA and VHA requirements for SSACs and coordination challenges related to responding to SSAC solicitations.

⁵⁷See [GAO/AIMD-00-21.3.1](#).

Communication Challenges

Representatives from all five affiliates with whom we spoke experienced numerous communication challenges with VA. Specifically, two affiliates reported that they received little to no communication from VHA about what services the VAMC needed from the affiliate prior to SSAC solicitations being issued. Representatives from these two affiliates explained that this limited communication made it difficult for them to provide the requested services due to the limited amount of time that was available to hire or redeploy physicians to provide these services to the VAMC. For two of these affiliates, this limited communication resulted in the affiliate declining a high-value, long-term SSAC and pulling some or all resident training opportunities from the VAMC specialty care line. In addition, three affiliates reported that VHA does not clearly communicate either its methods for determining how many physician FTEEs the VAMC needs or its documentation requirements that affiliates must submit to support their physician salary pricing. Representatives from these affiliates told us that VA's hourly requirements do not match those of their institution and this impacts how VHA analyzes salary information they provide. According to representatives from one of these affiliates, poor communication about required salary documentation resulted in several lengthy delays to the processing of a high-value, long-term SSAC and the need to pursue two short-term SSACs to fill the time gap created by VHA requesting resubmission of this information from the affiliate. Furthermore, three affiliates reported that VHA has changed its approach to negotiations in recent years and failed to communicate its new expectations to them in a timely manner. Finally, a representative from the one affiliate that did not report having major communication challenges with VHA told us that it maintains an open communication channel with its VAMC through quarterly meetings. This affiliate described its partnership with VHA as supportive and cooperative.

Coordination Challenges

Representatives from all five of the affiliates with whom we spoke experienced numerous coordination challenges with VA. Specifically, representatives from four of the five affiliates reported that it was challenging for them to provide services to VAMCs under short-term SSACs because the length of these contracts does not provide a commitment from VHA for the physicians hired by the affiliate to fulfill the contract. These affiliate representatives explained that it can take a year or longer to recruit a well-qualified academic physician and short-term SSACs do not provide the funding commitment needed by the affiliate to recruit these physicians. In addition, representatives from all five of the affiliates with whom we spoke reported that VHA does not cover all of their expenses for employing academic physicians to provide services at VAMCs. These representatives said that VA's prohibition on

compensating their affiliates for overhead expenses results in uncovered affiliate costs necessary for maintaining academic physicians. These uncovered affiliate expenses noted by affiliate representatives include (1) payments from the affiliate department providing VHA services to the affiliate's management body that help support research and academic leadership structures and (2) opportunity costs of physicians serving on VHA contracts that occur because they cannot be redeployed to participate in private practice activities.⁵⁸

Standards for internal control in the federal government state that information should be communicated both internally and externally to enable the agency to carry out its responsibilities.⁵⁹ For external communications, management should ensure there are adequate means of communicating with, and obtaining information from, external stakeholders that may have a significant impact on the agency achieving its goals.⁶⁰

VHA efforts to cultivate better communication and coordination with affiliates at the national level—including discussing “pain points” and exchanging views—have been limited. Many of the communication and coordination challenges raised by representatives from the five affiliates that provide services to our selected VAMCs through SSACs could have been addressed through either electronic communications, such as a survey, or in person during national or regional forums between VHA and its affiliates. VHA held three regional forums with all its affiliates in fiscal

⁵⁸According to officials from the VHA Procurement and Logistics Office, the VA OIG has determined that these costs are not allocable to VA under a SSAC and therefore cannot be included in the contract price.

⁵⁹[GAO/AIMD-00-21.3.1](#).

⁶⁰We previously found that there are eight necessary elements of collaborative working relationships among federal agencies. These necessary elements include (1) defining and articulating a common outcome; (2) establishing mutually reinforcing or joint strategies; (3) identifying and addressing needs by leveraging resources; (4) agreeing on roles and responsibilities; (5) establishing compatible policies, procedures, and other means to operate across agency boundaries; (6) developing mechanisms to monitor, evaluate, and report on results; (7) reinforcing agency accountability for collaborative efforts through agency plans and reports; and (8) reinforcing individual accountability for collaborative efforts through performance management systems. While VAMC's affiliates are not federal agencies, a number of these necessary elements could help strengthen the collaborative relationships between VAMCs and their affiliates. See GAO, *Results-Oriented Government: Practices that Can Help Enhance and Sustain Collaboration among Federal Agencies*, [GAO-06-15](#) (Washington, D.C.: Oct. 21, 2005).

year 2012 that resulted in VHA producing a guide for affiliates on the medical sharing contracting processes they would likely encounter.⁶¹ VA officials explained that the forums held in fiscal year 2012 offered the opportunity for affiliate decision makers and VA officials responsible for developing SSAC requirements and overseeing the SSAC development and award process to discuss the contracting process and obtain feedback from affiliate staff. However, these officials explained that they had planned to hold additional forums, but have had to rely primarily on local coordination with affiliates since the forums held in 2012 due to travel restrictions associated with VA's recent budget shortfalls. Without continued efforts to determine if affiliates, such as the five we spoke with, are experiencing challenges with providing services through SSACs, VHA cannot ensure that is effectively responding to the concerns of its affiliates and can address their concerns with providing services to VAMCs through these contracts.

Conclusions

SSACs serve an important role in helping to ensure that VAMCs can provide specialty health care services for our nation's veterans and support the residency training of a new cadre of physicians. Through these contracts, affiliates provide VAMCs with access to well-trained and capable physicians to fill critical staffing voids. However, these benefits can only be realized if VHA addresses identified weaknesses in the development of SSACs. We identified weaknesses in four areas that may limit VA's ability to effectively manage and monitor the development of SSACs throughout VHA.

First, the lack of attention to the time required to develop and award high-value, long-term SSACs, as we observed in the contracts we reviewed, creates uncertainty in the SSAC contracting process. Without developing performance standards that set clear expectations for how long it should take VHA entities to develop high-value, long-term SSACs, VHA cannot ensure that contracts are being developed in a timely manner. In addition, VA has not collected data that allow network contracting office medical sharing supervisors or Medical Sharing Office staff to have real-time information on the time spent developing high-value, long-term SSACs, which limits VHA's ability to make timely management decisions.

⁶¹Veterans Health Administration Procurement & Logistics Office, *The Academic Affiliate Guide to Health Care Resources Contracting with the Department of Veteran's Affairs*, (2014). This guide presents information on the VA contracting process used to develop SSACs.

Second, the lack of attention to the use of short-term SSACs exposes VHA to risks. Specifically, overreliance on short-term SSACs as bridge contracts creates additional work for contracting officers and does not allow VHA to fully realize the benefits of Medical Sharing Office technical review and oversight. VHA also does not analyze available data on awarded SSACs to proactively identify VAMCs and network contracting offices that may be over relying on short-term SSACs. In addition, because VHA has not developed or provided standards for developing short-term SSACs it cannot ensure that contracting officers will have adequate time to adhere to VA and VHA procurement policies. Taken together, these actions limit VA's oversight of short-term SSACs and expose the agency to risks, such as awarding contracts that do not adhere to VA and VHA policies.

Third, VHA does not have stability in its medical sharing workforce, which limits its ability to develop high-quality SSACs throughout VHA. Without a plan to address retention issues and provide training through alternative low-cost methods, the high turnover of medical sharing contracting officers and limited training opportunities for medical sharing contracting officers will further erode VA's knowledge base for developing high-quality and cost-effective SSACs.

Finally, concerns about VA's communication and coordination with its affiliates, as voiced by representatives from the five affiliates we spoke with, demonstrates potentially ineffective communication streams with these critical partners. Without reviewing these concerns, VHA may miss opportunities to address challenges that affiliates face in providing services through SSACs.

Recommendations for Executive Action

We recommend that the Secretary of Veterans Affairs direct the Under Secretary for Health to take the following eight actions:

To ensure the timely development of high-value, long-term SSACs, VA should

- establish performance standards for appropriate development time frames for high-value, long-term SSACs and use these performance standards to routinely monitor VAMC, network contracting office, and Medical Sharing Office efforts to develop these contracts; and
- collect performance data on the time spent in each phase of the development of high-value, long-term SSACs and periodically analyze these data to assess performance.

To ensure the effective development and use of short-term SSACs, VA should

- develop requirements for VAMCs and network contracting offices to effectively engage in early acquisition planning for the replacement of expiring high-value, long-term SSACs in order to reduce the reliance on short-term SSACs as bridge contracts;
- prioritize the review of SSAC contract data to identify patterns of overreliance on short-term SSACs that avoid appropriate Medical Sharing Office oversight; and
- develop standards for the minimum amount of time necessary to develop and award short-term SSACs to minimize cases of nonadherence to VA policy for these contracts.

To develop and maintain medical sharing expertise within the network contracting offices, VA should

- create a plan for increasing the retention of contracting officers that work in medical sharing teams; and
- develop mechanisms to either provide existing training courses or create training courses that do not require travel for contracting officers working within network contracting offices.

To ensure VHA effectively communicates with its affiliates regarding SSACs, VA should

- reach out to all of its affiliates, identify any concerns, and determine the most effective method of communicating with affiliates regarding SSAC development.

Agency Comments and Our Evaluation

VA provided written comments on a draft of this report, which we have reprinted in appendix III. In its comments, VA concurred with our eight recommendations and described the department's plans to implement them.

In its comments, VA stated that to address our first recommendation, the Deputy Under Secretary for Health for Operations and Management will create a workgroup consisting of representatives from various offices across VHA—including VHA's Office of Patient Care Services, Medical Sharing Office, and network contracting offices. This workgroup will

establish performance standards for development time frames for high-value, long-term SSACs; set up the oversight process for routine monitoring of VAMCs, VISNs, network contracting offices, and the Medical Sharing Office using these standards; and designate an office within VHA to conduct oversight and routinely monitor these performance standards.

To address our second recommendation, VA noted that while VHA program offices responsible for contracting currently collect performance data on each phase of SSAC development, this data is collected in several different systems. This can make effective analyses of these data more difficult. As such, VHA will assess its current data systems to determine whether a new or different system would be needed to capture all relevant data. Furthermore, the Medical Sharing Office will focus its data collection and analysis efforts on the high-value, long-term SSAC development phases that it has determined to take the longest based on current data and the office will collaborate with other stakeholders to determine the need for and the mechanism to collect additional data. We encourage VHA to determine its data needs for the acquisition planning phase given that more than three-quarters of medical sharing supervisors within the 21 network contracting offices reported that the initial procurement packages they receive from VAMCs rarely or never include all required information to begin acquisition planning, which could significantly affect the duration of this phase of SSAC development.

To address our third recommendation, VA noted that the Deputy Under Secretary for Health for Operations and Management will charge the same workgroup previously mentioned to develop requirements for VAMCs and network contracting offices to effectively engage in early acquisition planning for the replacement of expiring high-value, long-term SSACs.

To address our fourth recommendation, VA noted that VHA will assess its current data systems to determine whether a new or different system would be needed to capture all the data related to short-term SSACs and the Medical Sharing Office will also conduct a data review of short-term SSACs every 6 months and provide the results to the service area offices and network contracting offices. We encourage VHA to ensure that the service area offices and network contracting offices take action when patterns of overreliance on short-term SSACs are identified through these reviews.

To address our fifth recommendation, VA noted that the Deputy Under Secretary for Health for Operations and Management will charge the same workgroup previously mentioned to develop standards for the minimum amount of time necessary to develop and award short-term SSACs.

To address our sixth recommendation, VA noted that the directors of VHA's service area offices responsible for managing medical sharing contracting officers and the Medical Sharing Office responsible for overseeing medical sharing contracts will work with VHA's Veterans Services Center to look into retention incentives and develop a retention plan. We encourage VHA to use this effort to further investigate the potential reasons for medical sharing contracting officer turnover.

To address our seventh recommendation, VA noted while VHA's pilot web-based offerings of its health care contracting courses did not prove to be as effective as a face-to-face class, VHA will continue to deliver these courses in multiple formats and will also solicit agency leadership for assistance in resource prioritization to fund VHA health care contracting training courses, instruction, travel, or curriculum development.

Finally, to address our eighth recommendation, VA noted that VHA's Office of Academic Affiliations and Medical Sharing Office will re-engage with the American Association of Medical Colleges to determine the best ways to gather input from affiliates on their concerns and determine the most effective method of communication with them regarding SSAC development. Furthermore, VA added that these offices will also evaluate VA's current partnerships with affiliates to identify both highly functional relationships that could be highlighted as "best practices" and partnerships that could benefit from targeted intervention.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to the Secretary of Veterans Affairs, appropriate congressional committees, and other interested parties. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-7114 or williamsonr@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on

the last page of this report. GAO staff who made major contributions to this report are listed in appendix IV.

Sincerely yours,

A handwritten signature in black ink that reads "Randall B. Williamson". The signature is written in a cursive style with a large initial "R".

Randall B. Williamson
Director, Health Care

Appendix I: Scope and Methodology

This appendix describes our methods for selecting Department of Veterans Affairs (VA) medical centers (VAMC) and network contracting offices for site visits and for interviewing VAMC and network contracting office officials; for selecting and analyzing sole-source affiliate contracts (SSAC); and for administering a data collection instrument to supervisors responsible for overseeing the development and award of SSACs in all 21 network contracting offices.¹

Site Selection Methodology and Interviews with VAMC and Network Contracting Office Officials

We conducted five site visits to VAMCs and network contracting offices to obtain the perspectives of VAMC and network contracting office officials responsible for developing and awarding SSACs. To identify VAMCs for our site visits, we:

- Selected VAMCs that were in the top half of all VAMCs in terms of the total initial value of SSACs from fiscal year 2011 through fiscal year 2015 to ensure that each selected VAMC had experience with SSAC development;²
- Selected VAMCs that were located in different Veterans Integrated Service Networks (VISN) to ensure that our selected VAMCs varied in their geographic locations and reported to different VISN and network contracting office management officials;³
- Ensured that our selected VAMCs had a variety of active SSACs in place to allow for a variety of staff perspectives on the development of these contracts; and

¹In this report, we use the term develop to describe a multistep process used to initiate, create, and review SSACs. This multi-step process includes actions related to acquisition planning for a SSAC, development and issuance of a solicitation used to inform the affiliate of VA's needs, development and evaluation of the affiliate's proposal, and preparation for and negotiation between the affiliate and VA.

²The total initial value of a SSAC refers to the combined value of the contract's base period and any option periods included in the contract. For example, a SSAC may have a base period of 1 year valued at \$1 million and four option periods that are 1 year each with a \$1 million value for each option period. This SSAC would have a total initial value of \$5 million dollars.

³VISNs oversee the day-to-day functions of VAMCs that are within their network. Each VAMC is assigned to a single VISN. Network contracting offices manage all the contracting activities of a single VISN and all VAMCs assigned to that VISN.

- Ensured that our selected VAMCs had a variety of different proximities to their affiliates.⁴

Using these criteria, we selected five VAMCs to visit during our field work, located in Indianapolis, Indiana; Miami, Florida; Minneapolis, Minnesota; Palo Alto, California; and San Antonio, Texas. During our site visits to these VAMCs, we interviewed each VAMC's leadership team; every medical director from the specialty care lines that managed our selected SSACs; and every VAMC staff member that served as the contracting officer's representative on our selected contracts.⁵ We spoke with these officials about a variety of topics—including the development of initial information packages needed to start the acquisition process; affiliate negotiations; and coordination with contracting staff, such as contracting officers and VHA Medical Sharing Office staff.⁶

In addition, we visited the five network contracting offices responsible for developing and awarding contracts for our five selected VAMCs. These network contracting offices were located in Arlington, Texas; Indianapolis, Indiana; Minneapolis, Minnesota; Sacramento, California; and Tampa, Florida. During our site visits to these network contracting offices, we interviewed each network contracting office's leadership team; every medical sharing team supervisor within the selected network contracting office responsible for overseeing the development of SSACs; all contracting officers that developed any SSAC for any VAMC served by the network contracting office; and every contracting officer responsible for developing our selected SSACs.⁷ We spoke with these officials about

⁴In many cases the university affiliate is located in very close proximity to the VAMC. In other cases the university affiliate and the VAMC are located several miles from each other making the movement of staff between locations more challenging.

⁵Medical directors of specialty care lines within VAMCs are responsible for overseeing the clinical care provided by all providers within a specialty care line, including VA-employed and contract providers. A contracting officer's representative is responsible for helping to develop the SSAC and for monitoring the performance of the contractor once the SSAC has been executed. The contracting officer's representative is appointed by the contracting officer responsible for the SSAC.

⁶Contracting officers are authorized to enter into, administer, or terminate contracts and make related determinations and findings. 1 C.F.R. § 602-1(a) and 48 C.F.R. § 801.602. The Medical Sharing Office is part of the VHA Procurement and Logistics Office in VHA Central Office and is responsible for overseeing the development of all SSACs.

⁷For the purposes of this report, we use the term contracting officer to refer to both contracting officers and contracting specialists who assist them in performing their duties.

a variety of topics—including coordination with VAMC staff to develop initial information needed to start the acquisition process; development of acquisition plans, solicitations, negotiation objectives and memoranda, and other contracting documents; affiliate negotiations; and coordination with Medical Sharing Office staff, such as technical reviewers, price analysts, and negotiators.

Information obtained from our visits to selected VAMCs and network contracting offices cannot be generalized to all VAMCs and network contracting offices throughout VHA.

SSAC Selection and Analyses

To assess VA's development and award of SSACs, we reviewed the contracts and accompanying documentation for a nongeneralizable sample of 25 SSACs from the five VAMCs we visited. These contracts were selected from among the nearly 1,200 SSACs awarded from fiscal year 2011 through fiscal year 2015.

To select our sample of 25 SSACs, we reviewed a list of all active SSACs for our selected VAMCs that was provided by the network contracting offices responsible for developing and awarding them. For each VAMC we visited, we selected four to six SSACs to review in detail. For each VAMC we visited, we selected:

- SSACs from at least three specialties within the VAMC;
- At least one high-value, long-term SSAC, if available;⁸ and
- At least one short-term SSAC, if available.⁹

Our final contract selections for each VAMC are summarized in table 1.

⁸High-value, long-term SSACs have a total initial value of \$500,000 or more and require services for more than 1 year from the affiliate. High-value, long-term SSACs require the most VHA Central Office oversight of all SSACs—including three required reviews by Medical Sharing Office technical reviewers and required technical assistance from Medical Sharing Office staff for both the price analysis of the affiliate's proposal and formal negotiations with the affiliate.

⁹Short-term SSACs have a total initial value of less than \$500,000 and cover service periods from the affiliate of up to 1 year. These contracts are not reviewed by the Medical Sharing Office and contracting officers within network contracting offices develop and award them independently. However, some network contracting offices may require short-term SSACs to be reviewed locally.

Table 1: Available Contracts for GAO Selection and Final Selected Contracts for GAO Review, by Department of Veterans Affairs Medical Center (VAMC)

VAMC location	Available contracts for selection by type ^a				GAO contract selection by type			
	High-value, long-term ^b	Low-value, long-term ^c	Short-term ^d	Total available contracts for selection	High-value, long-term ^b	Low-value, long-term ^c	Short-term ^d	Total selected contracts
Palo Alto	0	0	17	17	0	0	5	5
Miami	5	0	0	5	5	0	0	5
Indianapolis	6	2	2	10	4	0	2	6
San Antonio	2	0	5	7	2	0	3	5
Minneapolis	0	2	2	4	0	2	2	4
Total	13	4	26	43	11	2	12	25

Source: GAO. | GAO-16-426.

^aTo determine the contracts that were available for selection, GAO contacted the network contracting office responsible for developing and awarding contracts for each of our selected VAMCs and requested a list of all active contracts as of the date of our site visit.

^bHigh-value, long-term SSACs have a total initial value of \$500,000 or more and require services for more than 1 year from the affiliate.

^cLow-value, long-term SSACs have a total initial value of less than \$500,000 and provide affiliate services for more than 1 year.

^dShort-term SSACs have a total initial value of less than \$500,000 and cover service periods from the affiliate of up to 1 year.

Information Sources

To gather detailed contract information on our 25 selected SSACs and determine the duration of time spent on their development and award, we reviewed documentation associated with each contract provided by contracting officers and the Medical Sharing Office. For each selected SSAC, this documentation included (1) the final contract including all attachments, appendices, and modifications; (2) signed and dated copies of VAMC and VISN approvals to use a SSAC to provide the service; (3) acquisition planning documents; (4) the issued solicitation; (5) affiliate proposals; (6) documentation of VA’s pre-negotiation objectives; (7) documentation of the negotiation proceedings and results; (8) the award letter sent to the affiliate; and (9) documentation of all contract reviews completed, including those completed by the Medical Sharing Office. If all documents requested for a selected SSAC were not available, we asked the contracting officer responsible for the SSAC to provide an explanation of why the requested documentation was unavailable. In addition, to help in our analysis of selected high-value, long-term SSACs that were reviewed by the Medical Sharing Office, we reviewed documentation of Medical Sharing Office review and technical assistance milestones.

Contracting Phase Definitions

To analyze our selected SSACs, we defined the process used to develop and award SSACs. To do this, we reviewed VA and VHA documentation of the SSAC development process—including the VA directive that governs the development of these contracts and a guide for affiliates outlining VA procedures for developing these contracts.¹⁰ Based on our review of these documents, we identified nine key contracting steps across five contracting phases. (See table 2.)

Table 2: Contracting Phases and Steps for Department of Veterans Affairs (VA) Veterans Health Administration (VHA) Sole-Source Affiliate Contracts (SSAC)

Contracting phase	Contracting steps
Acquisition planning	Approval to sole source ^a
	Acquisition plan development
	Acquisition plan review ^b
Solicitation	Pre-solicitation review ^c
	Solicitation issuance
Proposal	Affiliate proposal (initial) ^d
Negotiation	Negotiation between VHA and affiliate ^e
Award	Pre-award review ^c
	Formal award

Source: GAO. | GAO-16-426.

^aThe VA directive that governs the development of SSACs requires both VA medical center (VAMC) and Veterans Integrated Service Network officials to approve a VAMC's use of a SSAC. See Department of Veterans Affairs, *Health Care Resources Contracting—Buying Title 38 U.S.C. 8153*, Directive 1663 (Aug. 10, 2006).

^bVA changed its policies to begin requiring acquisition plan reviews in the fall of 2012 and the Medical Sharing Office began conducting technical reviews of acquisition plans in November 2012 in accordance with this policy change.

^cFor high-value, long-term SSACs that have total initial values of less than \$5 million, Medical Sharing Office staff conduct the pre-solicitation and pre-award reviews. For high-value, long-term SSACs that have total initial values of \$5 million or more, the Medical Sharing Office coordinated the review and findings of a contract review board that includes officials from throughout VHA.

^dThe affiliate may submit multiple proposals in response to VHA requests for additional information and documentation if not submitted with the affiliate's initial proposal.

^eVHA and the affiliate may conduct multiple negotiation meetings to agree on the final terms and price of a contract.

¹⁰See Department of Veterans Affairs, *Health Care Resources Contracting—Buying Title 38 U.S.C. 8153*, Directive 1663 (Aug. 10, 2006). See also Veterans Health Administration Procurement & Logistics Office, *The Academic Affiliate Guide to Health Care Resources Contracting with the Department of Veteran's Affairs* (2014).

Analysis of SSAC Development and Award Time Frames

To analyze the time frames for the development and award of our 25 selected SSACs, we reviewed each contract’s documentation to determine the total elapsed time spent by staff on each contracting step defined previously. If a document was not available, we asked the contracting officer for an explanation of why the document was missing and to provide an alternative document or information that could be used to verify the dates of activity for the contracting step that corresponded to that document. Table 3 contains information on our sources for the start and end dates of each contracting step.

Table 3: Sources for Contracting Step Start and End Dates for Department of Veterans Affairs (VA) Veterans Health Administration (VHA) Sole-Source Affiliate Contracts (SSAC)

Contracting step	Start date source(s)	End date source(s)
Approval to sole source	<ol style="list-style-type: none"> 1. Date of request for non-compete or needs justification memorandum; or 2. Date of VA Directive 1663 approval memorandum^a 	<ol style="list-style-type: none"> 1. Date of Veterans Integrated Service Network (VISN) director's approval on the non-compete or needs justification memorandum; or 2. Date of VISN director's approval on the VA Directive 1663 approval memorandum;^a or 3. Date of VA medical center (VAMC) director's approval on VA Directive 1663 approval memorandum^a
Acquisition plan development	<ol style="list-style-type: none"> 1. Date of VISN director's approval on the non-compete or needs justification memorandum; or 2. Date of VISN director's approval on the VA Directive 1663 approval memorandum;^a or 3. Date of VAMC director's approval on VA Directive 1663 approval memorandum^a 	<ol style="list-style-type: none"> 1. The date of the first version of the acquisition plan; or 2. Date recorded in the Medical Sharing Office tracking log for acquisition plan receipt;^b or 3. Medical Sharing Office acquisition plan review memorandum^b
Acquisition plan review	<ol style="list-style-type: none"> 1. Date the acquisition plan was submitted to the Medical Sharing Office for review as documented in the Medical Sharing Office acquisition plan review memorandum (if available); or 2. Date recorded in the Medical Sharing Office tracking log for acquisition plan receipt^b 	<ol style="list-style-type: none"> 1. Date of the Medical Sharing Office acquisition plan review memorandum (if available); or 2. Date recorded in the Medical Sharing Office tracking log for acquisition plan review completion^b
Pre-solicitation review	<ol style="list-style-type: none"> 1. Date of the solicitation review request submitted to the Medical Sharing Office from the legal and technical review of request for proposal memorandum; or 2. Date recorded in the Medical Sharing Office tracking log for solicitation review receipt^b 	<ol style="list-style-type: none"> 1. Completion date of the legal and technical review of request for proposal memorandum; or 2. Date recorded in the Medical Sharing Office tracking log for solicitation review completion^b
Solicitation issuance	<ol style="list-style-type: none"> 1. Completion date of the legal and technical review of request for proposal memorandum; or 2. Date recorded in the Medical Sharing Office tracking log for solicitation review completion^b 	<ol style="list-style-type: none"> 1. Date of issued solicitation
Affiliate proposal (initial)	<ol style="list-style-type: none"> 1. Date of issued solicitation 	<ol style="list-style-type: none"> 1. Date of first affiliate proposal

Contracting step	Start date source(s)	End date source(s)
Negotiation between VHA and affiliate	1. Date of the first negotiation meeting between VHA and the affiliate documented in the price negotiation memorandum ^c	1. Date of the final negotiation meeting between VHA and the affiliate documented in the price negotiation memorandum; ^c or 2. Date recorded in the Medical Sharing Office tracking log for negotiation completion ^b
Pre-award review	1. Date of the pre-award review request submitted to the Medical Sharing Office from pre-award review documentation; or 2. Date recorded in the Medical Sharing Office tracking log for pre-award review receipt ^b	1. Medical Sharing Office pre-award review completion date from pre-award review documentation; or 2. Date recorded in the Medical Sharing Office tracking log for pre-award review completion ^b
Formal award	1. Medical Sharing Office pre-award review completion date from pre-award review documentation; or 2. Date recorded in the Medical Sharing Office tracking log for pre-award review completion ^b	1. Date of the award letter sent to the affiliate

Source: GAO. | GAO-16-426.

Note: In some instances, if a source document identified above was not available or provided by VA, we used other sources to identify the date, such as directly asking the relevant contracting staff.

^aVA Directive 1663 is the policy that defines the required steps for development of medical sharing contracts, including SSACs. This policy requires the VAMC and VISN directors to approve a VAMC's use of sole-source authority to procure affiliate services and document this approval in a memorandum. See Department of Veterans Affairs, *Health Care Resources Contracting—Buying Title 38 U.S.C. 8153*, Directive 1663 (Aug. 10, 2006).

^bThe Medical Sharing Office maintains a tracking log that records the dates Medical Sharing Office staff receive contract documents for review and the dates Medical Sharing Office staff complete their reviews and send review comments back to the contracting officer responsible for developing the contract.

^cVA policy requires a price negotiation memorandum for all contracts that records the negotiation proceedings and final results.

Data Collection Instrument Administered to Medical Sharing Team Supervisors

We administered a data collection instrument to supervisors responsible for overseeing the development and award of SSACs in all 21 network contracting offices throughout VHA. This data collection instrument gathered these supervisors' perspectives on the challenges facing the contracting workforce responsible for developing SSACs and obtained information from these supervisors on the experience levels of and turnover among their staff. The data collection instrument included questions on (1) medical sharing contracting officer experience levels and workloads; (2) the number of and the most prevalent reasons for full-time employee equivalents either leaving VHA or being reassigned to another contracting team within the network contracting office in fiscal years 2014 and 2015; (3) improvements that could be made to the career path and skillsets of the medical sharing workforce; (4) the most prevalent reasons network contracting offices opt to develop short-term SSACs; (5) experiences of network contracting office staff working with VAMCs to develop initial procurement packages; and (6) experiences of network

contracting office staff working with the Medical Sharing Office to conduct document reviews and develop procurement packages. The data collection instrument was administered from October 2015 through February 2016 and all 21 network contracting offices responded.

Appendix II: Time Frames for the Development and Award of Low-Value, Long-Term Sole-Source Affiliate Contracts

This appendix provides results from our analysis of the total time required to develop and award two selected Department of Veterans Affairs (VA) low-value, long-term sole-source affiliate contracts (SSAC). Low-value, long-term SSACs have total initial values of less than \$500,000 and provide affiliate services for more than 1 year.¹ Table 4 contains the results of our analysis of two selected low-value, long-term SSACs.

Table 4: Time Frames for the Development and Award of Two Selected Low-Value, Long-Term Department of Veterans Affairs (VA) Sole-Source Affiliate Contracts (SSAC), Awarded in Fiscal Years 2014 and 2015

Contract	Selected contracting steps				Total development time for contract ^a Days (months)
	Elapsed time between approval to use a SSAC and completion of acquisition plan development Days (months)	Elapsed time between acquisition plan development and solicitation issuance Days (months)	Elapsed time between solicitation issuance and submission of affiliate proposal Days (months)	Elapsed time between submission of affiliate proposal and the issuance of award letter Days (months)	
Low-value, long-term contract 1	72 (2.4)	24 (0.8)	21 (0.7)	58 (1.9)	175 (5.8)
Low-value, long-term contract 2	35 (1.2)	212 (7.0)	303 (10)	6 (0.2)	556 (18.3)

Source: GAO analysis of VA information. | GAO-16-426.

^aValues in this column may not add up to the sum of all the previous columns due to rounding.

¹The total initial value of a SSAC refers to the combined value of the contract's base period and any option periods included in the contract.

Appendix III: Agency Comments from the Department of Veterans Affairs



DEPARTMENT OF VETERANS AFFAIRS
Washington DC 20420

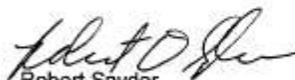
April 20, 2016

Mr. Randall B. Williamson
Director
Health Care
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Williamson:

The Department of Veterans Affairs (VA) has reviewed the Government Accountability Office's (GAO) draft report, ***VA HEALTH CARE: Improvements Needed for Management and Oversight of Sole-Source Affiliate Contract Development*** (GAO-16-426). VA agrees with GAO's recommendations and has provided comments and VA's plan of action to address the GAO draft report recommendations in the enclosure with this letter.

Sincerely,


Robert Snyder
Chief of Staff

Enclosure

Enclosure

Department of Veterans Affairs (VA) Comments to
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(GAO-16-426)

GAO Recommendation: GAO recommends that the Secretary of Veterans Affairs direct the Under Secretary for Health to take the following eight actions:

Recommendation 1: To ensure the timely development of high-value long-term SSACs, VA should establish performance standards for appropriate development time frames for high-value long-term SSACs and use these performance standards to routinely monitor VAMC, network, contracting office, and Medical Sharing Office efforts to develop these contracts.

VA Comment: Concur. This recommendation is related to High Risk Area 2 (inadequate oversight and accountability). Establishing performance standards will allow the Veterans Health Administration (VHA) to hold Department of Veterans Affairs (VA) Medical Centers (VAMC), networks and contracting offices accountable for the time it takes to complete high-value long-term sole-source affiliate contracts (SSAC). There is no single program office that is responsible for performance standards for SSACs. Therefore, the Deputy Under Secretary for Health for Operations and Management will charter a workgroup to address the issues in Recommendations 1, 3, and 5 of the GAO report. The charter will designate a responsible program office to lead the workgroup and report on the findings and recommendations of the workgroup to leadership. The workgroup will be charged with:

1. Establishing performance standards for appropriate development time frames for high-value long-term SSACs (*Recommendation 1*);
2. Establishing the oversight process for routine monitoring of VAMCs, networks, contracting offices, and the Medical Sharing Office against these standards (*Recommendation 1*);
3. Designating the responsible office to conduct the oversight and routine monitoring of these performance standards (*Recommendation 1*);
4. Developing requirements for VAMCs and network contracting offices to effectively engage in early acquisition planning for the replacement of expiring high-value long-term SSACs. These requirements must address the goal of reducing reliance on short-term SSACs as bridge contracts (*Recommendation 3*); and
5. Developing standards for the minimum amount of time necessary to develop and award short-term SSACs. These standards must address the goal of

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minimizing cases of nonadherence to VA policy for these contracts
(Recommendation 5)

The charter will require membership that includes, at a minimum, representation from the following areas: VHA's Patient Care Services, Office of Academic Affiliation, Medical Sharing Office, Service Area Office, Network Contracting Office, Veterans Integrated Service Networks, medical facilities, Office of General Counsel, and affiliates.

The estimated timeframe for the workgroup to complete deliberations, finalize performance standards, and receive approval across all stakeholders, in this complex area is one year. The estimated timeframe for nationwide implementation of new performance standards is one year, to include pilot testing of any new technology and training of staff on new standards and requirements. Monitoring results against the new standards will extend completion of this recommendation beyond the target completion date. Target Completion Date: April 2018.

Recommendation 2: To ensure the timely development of high-value long-term SSACs, VA should collect performance data on the time spent in each phase of the development of high-value long-term SSACs and periodically analyze these data to assess performance.

VA Comment: Concur. This recommendation is related to High Risk Area 2 (inadequate oversight and accountability). Collecting and analyzing performance data will allow VHA to assess performance and hold VAMC, networks and contracting offices accountable for the time it takes to complete high-value long-term SSACs. VHA agrees that data analysis of the time spent in each development phase is needed. VHA program offices responsible for contracting currently collect performance data on the five major phases of the SSAC procurement process. These major phases are: acquisition planning, solicitation, proposal, negotiation, and contract award. Performance data is collected on pertinent values associated with a procurement action, such as solicitation, contract number, location information, dates of submission, and completion dates. Data is also collected on the duration of each contracting phase, and the time elapsed from the end of one phase to the start of the next.

This data is collected in several different data systems, rather than a single data set which complicates and, sometimes, obstructs effective analysis of the data set as a whole. VHA will assess the current data systems, determine if other data systems contain needed information, and determine whether a new or different data system will be needed to capture the universe of pertinent data.

The VHA Medical Sharing Office has already analyzed current data on time spent in each phase of high-value long-term SSAC development and has determined that the

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two phases that take the most time are "pre-solicitation to issuance of the solicitation" and "proposal to contract award." The Medical Sharing Office will focus data collection and analysis on these two areas for the purposes of this GAO recommendation. The Medical Sharing Office will collaborate with key stakeholders, such as VHA's Patient Care Services, Office of Academic Affiliation, Service Area Office, Network Contracting Office, Veterans Integrated Service Networks, medical facilities, Office of General Counsel, and affiliates to determine what additional data is needed, how best to collect it, and analytic methodology of the data. The Medical Sharing Office estimates the timeframe for determining what additional data is needed and how best to collect it will require six-nine months. Identifying and establishing a common data base that can be used for analytics will require at least six-nine months, and may require Information and Technology (IT) appropriations. The IT appropriations budget cycle can take two-three years, which would substantially delay, if not completely obstruct, the ability for the Medical Sharing Office to collect the needed universe of data for thorough analytics.

The Medical Sharing Office establishes a target completion date of one year with the expectation that the target completion date will be extended if IT funding is needed.
Target Completion Date: October 2017.

Recommendation 3: To ensure the effective development and use of short-term SSACs, VA should develop requirements for VAMCs and network contracting offices to effectively engage in early acquisition planning for the replacement of expiring high-value long-term SSACs in order to reduce the reliance on short-term SSACs as bridge contracts.

VA Comment: Concur. This recommendation is related to High Risk Area 2 (inadequate oversight and accountability). Establishing performance standards will allow VHA to hold VAMC, networks and contracting offices accountable for the time it takes to complete high-value long-term SSAC.

There is no single program office that is responsible for performance standards for SSACs. Therefore, the Deputy Under Secretary for Health for Operations and Management will charter a workgroup to address the issues in Recommendations 1, 3, and 5 of this GAO report. The charter will designate a responsible program office to lead the workgroup and report on the findings and recommendations of the workgroup to leadership. The workgroup will be charged with:

1. Establishing performance standards for appropriate development time frames for high-value long-term SSACs (*Recommendation 1*);

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2. Establishing the oversight process for routine monitoring of VAMCs, networks, contracting offices, and the Medical Sharing Office against these standards (*Recommendation 1*);
3. Designating the responsible office to conduct the oversight and routine monitoring of these performance standards (*Recommendation 1*);
4. Developing requirements for VAMCs and network contracting offices to effectively engage in early acquisition planning for the replacement of expiring high-value long-term SSACs. These requirements must address the goal of reducing reliance on short-term SSACs as bridge contracts (*Recommendation 3*); and
5. Developing standards for the minimum amount of time necessary to develop and award short-term SSACs. These standards must address the goal of minimizing cases of nonadherence to VA policy for these contracts (*Recommendation 5*).

The charter will require membership that includes, at a minimum, representation from the following areas: VHA's Patient Care Services, Office of Academic Affiliation, Medical Sharing Office, Service Area Office, Network Contracting Office, Veterans Integrated Service Networks, medical facilities, Office of General Counsel, and affiliates.

The estimated timeframe for the workgroup to complete deliberations, finalize performance standards, and receive approval across all stakeholders, in this complex area is one year. The estimated timeframe for nationwide implementation of new performance standards is one year, to include pilot testing of any new technology and training of staff on new standards and requirements. Monitoring results against the new standards will extend completion of this recommendation beyond the target completion date. Target Completion Date: April 2018.

Recommendation 4: To ensure the effective development and use of short-term SSACs, VA should prioritize the review of SSAC contract data to identify patterns of overreliance on short-term SSACs that avoid appropriate Medical Sharing Office oversight.

VA Comment: Concur. This recommendation is related to High Risk Area 2 (inadequate oversight and accountability). Identifying patterns of overreliance on short term SSACs allows the Medical Sharing Office to appropriately apply their current oversight processes.

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VHA's Medical Sharing Office currently only reviews high-value (more than \$500,000), long-term SSACs. The Medical Sharing Office provides a robust and effective review of these contracts consisting of three reviews by technical reviewers and required technical assistance from Medical Sharing Office staff for both the price analysis of the affiliate's proposal and formal negotiations with the affiliate.

VHA agrees identifying patterns of overreliance on short-term SSACs is important and currently compiles data on the short-term SSACs and provides that data to stakeholders. This data lists all SSACs –short and long-term. VHA Procurement Policy states that optimal contract length is five years consisting of one base year and four one-year option periods, although there are many legitimate reasons that short-term SSACs are appropriate for use.

As in Recommendation 2, there is no single data system that contains all the pertinent data to identify patterns of overreliance on short-term SSACs. VHA will assess the current data systems available, evaluate which other systems may contain the data and determine if additional systems will be needed to capture all pertinent information. The Medical Sharing Office will conduct a data review of SSACs with a value of less than \$500,000, every 6 months and provide the review to VHA's service area offices and network contracting offices. This way, short-term SSACs will benefit fully from the increased oversight and technical expertise the Medical Sharing Office contributes during the development of high-value long term SSACs.

Assessing the data systems and establishing the criteria will take up to 6 months. The data will then be collected every 6 months and distributed to the Service Area Office and Network Contracting Office Directors. Two data collection cycles will be needed to provide comparable data. Target Completion Date: October 2017.

Recommendation 5: To ensure the effective development and use of short-term SSACs, VA should develop standards for the minimum amount of time necessary to develop and award short-term SSACs to minimize cases of nonadherence to VA policy for these contracts.

VA Comment: Concur. This recommendation is related to High Risk Area 2 (inadequate oversight and accountability). Establishing performance standards will allow VHA to hold VAMC, networks and contracting offices accountable for the time it takes to complete high-value long-term SSAC.

There is no single program office that is responsible for performance standards for SSACs. Therefore, the Deputy Under Secretary for Health for Operations and Management will charter a workgroup to address the issues in recommendations 1, 3, and 5 of this GAO report. The charter will designate a responsible program office to

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lead the workgroup and report on the findings and recommendations of the workgroup to leadership. The workgroup will be charged with:

1. Establishing performance standards for appropriate development time frames for high-value long-term SSACs; (*Recommendation 1*);
2. Establishing the oversight process for routine monitoring of VAMCs, networks, contracting offices, and the Medical Sharing Office against these standards; (*Recommendation 1*);
3. Designating the responsible office to conduct the oversight and routine monitoring of these performance standards (*Recommendation 1*);
4. Developing requirements for VAMCs and network contracting offices to effectively engage in early acquisition planning for the replacement of expiring high-value long-term SSACs. These requirements must address the goal of reducing reliance on short-term SSACs as bridge contracts (*Recommendation 3*); and
5. Developing standards for the minimum amount of time necessary to develop and award short-term SSACs. These standards must address the goal of minimizing cases of nonadherence to VA policy for these contracts (*Recommendation 5*).

The charter will require membership that includes, at a minimum, representation from the following areas: VHA's Patient Care Services, Office of Academic Affiliation, Medical Sharing Office, Service Area Office, Network Contracting Office, Veterans Integrated Service Networks, medical facilities, Office of General Counsel, and affiliates.

The estimated timeframe for the workgroup to complete deliberations, finalize performance standards, and receive approval across all stakeholders, in this complex area is 1 year. The estimated timeframe for nationwide implementation of new performance standards is one year, to include pilot testing of any new technology and training of staff on new standards and requirements. Monitoring results against the new standards will extend completion of this recommendation beyond the target completion date. Target Completion Date: April 2018.

Recommendation 6: To develop and maintain medical sharing expertise within the network contracting offices, VA should create a plan for increasing the retention of contracting officers that work in medical sharing teams.

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VA Comment: Concur. This recommendation is related to High Risk Area 5 (unclear resource needs and allocation priorities). Appropriate resource allocation for contracting officers is essential to increasing retention.

VHA appreciates the importance of this recommendation as there has been substantial turnover of VHA contracting staff in recent years. GAO notes the significant turnover of contracting staff in the Medical Sharing Contract Teams at the network contracting offices: approximately 23 percent turnover in fiscal year (FY) 2014 and 27 percent for FY 2015. In the past, VHA has used retention incentives such as student loan repayment, retention bonuses, and other monetary incentives. The last 2 years have presented severe budgetary challenges where all monetary incentives have been discontinued.

Hiring enough staff members to keep pace with turnover has also been challenging. VHA Procurement's staffing level is slightly less than it was 2 years ago; down from 94 percent to less than 92 percent, as of December 2015. Although there have been many new hires, departures are outpacing gains. The budget constraints have also hindered hiring replacement staff. VHA Service Area Office Directors and VHA's Medical Sharing Office will work with VHA's Veterans Service Center to investigate retention incentives and develop a retention plan. Target Completion Date: August 2016.

Recommendation 7: To develop and maintain medical sharing expertise within the network contracting offices, VA should develop mechanisms to either provide existing training courses or create training courses that do not require travel for contracting officers working within network contracting offices.

VA Comment: Concur. This recommendation is related to High Risk Area 4 (staff training) and 5 (unclear resource needs and allocation priorities). Improving staff training supports VHA's priorities for excellence in health care and facilitates the important exchange of experience and ideas across participants from network contracting offices throughout VHA. Appropriate resourcing for staff training, materials development, and sustained oversight are essential to implementing effective, consistent processes at all medical facilities.

VHA appreciates GAO's recognition of the importance of proper training for the VHA procurement workforce. All staff in the contract specialist series (GS-1102) are required to be certified in the Federal Acquisition Certification in Contracting (FAC-C). This requires minimum levels of education, training, and experience. After certification is attained continuing education is required, at least 80 continuing learning points (CLP) are required every 2 years. The VHA Medical Sharing Office classroom training

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courses have been certified and approved by the Federal Acquisition Institute and the VA Acquisition Manager for attaining FAC-C certification and CLP maintenance.

VHA's Medical Sharing Office developed a robust training program to aid the workforce in understanding and learning the complicated nature and processes for developing SSACs.

When developing the training curriculum, VHA conducted pilot courses for Health Care Contracting classes. The pilot consisted of classroom (face-to-face) offerings and webinar/online delivery of the same content. Due to the very complicated nature of Health Care Resource requirement, webinar/online delivery did not prove to be as effective as a face-to-face classroom environment. The time required to cover the extensive amount of content presents a significant challenge to webinar/on-line training settings. The specific time required is 40 hours for the basic course, and 24 hours for the Advanced and Pricing classes. In the classroom, the Medical Sharing Office instructor conducts hands-on, student-led projects to enhance skills in the operation and implementation of the SSAC procurement process. This same technique, essential for effective adult learning, was not successful in the webinar/online setting.

The Medical Sharing Office offers three classroom courses: (1) Health Care Resource Contracting Basic, (2) Health Care Resource Contracting Advanced, and (3) Health Care Resource Contracting Pricing. They also offer several video web-based and instructor-led online training sessions. As noted by GAO, in FY 2015 the Medical Sharing Office scheduled eight classroom courses but only held five. Three of the scheduled classes were canceled due to budgetary and travel restrictions. That year, the Medical Sharing Office trained a total of 2,595 students: 155 via the classroom setting and 2,440 in the webinar and instructor led online offerings. The typical class size was 25-30 students. In FY 2016, the class size has lowered by 25 percent due to these budget and travel restrictions. The combination of class cancellations and high turnover rates results in the constant need for staff training.

VHA will continue to deliver current courses in the multiple formats where possible. In addition, VHA will solicit VHA and VA leadership for assistance in resource prioritization to fund VHA Health Care Resource training courses, instruction, travel, or curriculum development.

Completion of this recommendation will depend on the FY 2017 and possibly FY 2018 budget cycle; the target completion date is set to accommodate those budget cycles. Target Completion Date: October 2018.

Recommendation 8: To ensure VHA effectively communicates with its affiliates regarding SSACs, VA should reach out to all of its affiliates, identify any

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(GAO-16-426)

**concerns, and determine the most effective method of communicating with
affiliates regarding SSAC development.**

VA Comments: Concur. This recommendation is not related to a High Risk Area. VHA has previously partnered with the American Association of Medical Colleges (AAMC), which represents academic affiliates, to improve communication and working relationships between VA and its affiliates on the topic of SSAC. Previous efforts include creating the document "The Academic Affiliate Guide to Health Care Resources Contracting with the Department of Veterans Affairs," originally published in 2014.

VHA's Office of Academic Affiliations in partnership with the Medical Sharing Office will re-engage AAMC to determine the best way to obtain input from academic affiliates on their concerns and to determine the most effective method of communicating with affiliates regarding SSAC development. Additionally, the Office of Academic Affiliations and Medical Sharing Office will evaluate current VA-affiliate partnerships to identify highly functional partnerships that might be highlighted as "best practices." Similarly, they will identify partnerships with communication issues that might benefit from targeted intervention. Target Completion Date: April 2017.

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

Randall B. Williamson, (202) 512-7114 or williamsonr@gao.gov.

Staff Acknowledgments

In addition to the contact named above, Marcia A. Mann, Assistant Director; Frederick Caison; A. Elizabeth Dobrenz; Hannah Grow; Cathleen Hamann; Jacquelyn Hamilton; Katherine Nicole Laubacher; Samantha Pawlak; Vikki Porter; Dharani Ranganathan; Said Sariolghalam; and Alison Smith made key contributions to this report.

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