

# GAO Highlights

Highlights of [GAO-14-505](#), a report to congressional requesters

## Why GAO Did This Study

DOD provides health care through TRICARE, its regionally structured health care program. In each of its regions (North, South, West), DOD uses contractors to manage health care delivery through civilian providers, among other tasks. UnitedHealth—an organization new to TRICARE—was awarded the contract in the West region. After health care delivery began, UnitedHealth experienced problems fulfilling some requirements and delivering care to TRICARE beneficiaries.

GAO was asked to review the West region's transition to UnitedHealth. This report provides information on (1) the extent to which TMA provided guidance and oversight of the new contractor's transition period in preparation for health care delivery; and (2) how, if at all, TMA's guidance and oversight during the transition period contributed to issues with health care delivery. GAO reviewed and analyzed TMA guidance, contract requirements, and other relevant documentation, and interviewed TMA and UnitedHealth officials.

## What GAO Recommends

GAO recommends that DOD review and revise as necessary, its transition guidance to strengthen its oversight and ensure that future managed care support contractors have sufficient information to successfully complete transition requirements. DOD concurred or partially concurred with GAO's recommendations, but disagreed with some of GAO's findings. GAO maintains that the information presented is accurate, and recommendations valid as discussed in the report.

View [GAO-14-505](#). For more information, contact Debra Draper at (202) 512-7114 or [draperd@gao.gov](mailto:draperd@gao.gov).

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## DEFENSE HEALTH CARE

### More-Specific Guidance Needed for TRICARE's Managed Care Support Contractor Transitions

## What GAO Found

The recent transition of TRICARE's managed care support contractors (contractors) in the West region did not go smoothly and highlighted numerous deficiencies in guidance and oversight by the TRICARE Management Activity (TMA)—the Department of Defense's (DOD) office responsible for awarding and managing these contracts at the time of GAO's review. For example, TMA did not ensure that its outgoing and incoming contractors used the same version of transition guidance, resulting in problems that were left largely to the contractors to resolve. Additionally, TMA's guidance lacked sufficient specificity for some requirements, such as the development of a referral management system that could interface with the referral systems used by the regions' military treatment facilities—a system that was also not tested prior to health care delivery, unlike other critical system interfaces. In addition, TMA lacked a process for holding the contractor accountable when transition requirements were delayed or not met. TMA officials explained that the regional contracts are performance-based, meaning that most—but not all—of the contract requirements include an expected outcome, but the manner in which that outcome is to be achieved is left to the contractor. As a result, TMA officials stated that, regardless of their concerns, it was difficult to hold UnitedHealthcare Military & Veterans Services (UnitedHealth) accountable until the requirement was actually missed. However, as GAO has previously reported, important attributes of a performance-based contract include features that allow for the evaluation of a contractor's performance. UnitedHealth's contract contained these features, and as a result, GAO believes that this performance-based contract structure did not diminish TMA's responsibility for providing sufficient oversight to ensure that the contractor was performing as required.

TMA's inadequate guidance and insufficient oversight contributed to problems with health care delivery. UnitedHealth experienced difficulty in meeting some of its requirements early on, disrupting continuity of care for some beneficiaries and potentially resulting in unnecessary costs. For example, the lack of guidance on developing a referral management interface contributed to problems with the processing of specialty care referrals. Consequently, the requirement for beneficiaries to obtain a referral authorization for specialty care was temporarily waived—a move that the Army estimated could cost DOD over a million dollars as beneficiaries may have obtained more specialty care from civilian providers than from military treatment facilities. Further, insufficient oversight related to UnitedHealth's determination of the number of staff needed to man its call center contributed to a delayed resolution in meeting telephone response time requirements. As a result, it was not until the third month of health care delivery that UnitedHealth was able to meet its requirement to answer 90 percent of calls within 30 seconds. These and other problems ultimately resulted in TMA holding the contractor accountable through the use of corrective action requests and financial penalties.