



TRICARE's Next Generation Contracts: T-5

August 6, 2021

The Department of Defense (DOD) administers a [Military Health System](#) (MHS) that provides health care entitlements authorized in Title 10 of the U.S. Code ([Chapters 55](#) and [56](#)) and organized under a program called TRICARE. The [TRICARE program](#) offers health care benefits and services to approximately 9.6 million beneficiaries (servicemembers, military retirees, and family members) in DOD hospitals and clinics known as *military treatment facilities* (MTFs) and through networks of participating civilian health care providers. The [Defense Health Agency](#) (DHA) administers the TRICARE program and contracts with several managed care support organizations to deliver health care entitlements.

In recent years, Congress has demonstrated sustained interest in the MHS by [enacting TRICARE reforms](#) (see Section 705 of the National Defense Authorization Act for 2017; P.L. 114-328) to require increased access to care, improved health outcomes and health care quality, enhanced beneficiary experience, and lower per capita costs. Many of these reforms are, or are in the process of being, integrated into the TRICARE contracts. On April 15, 2021, DHA released a [request for proposals](#) (RFP) for the *next generation* of TRICARE contracts, called *T-5*, which incorporates congressionally mandated reforms.

This Insight provides an overview of T-5, DHA's acquisition strategy, and the timeline for awarding these new contracts.

What is T-5?

As envisioned by DHA, T-5 would supplement existing MTF resources with contracted networks of U.S. health care providers to achieve an "[integrated healthcare delivery system](#)." DHA intends to award one T-5 contract for each of its two [geographic regions](#) (TRICARE East and TRICARE West). T-5 contract awardees would perform tasks organized under a variety of categories, many of which existed in previous iterations of TRICARE contracts, including:

- claims processing,
- management of enrollment processes,
- health care finder and referral services,
- establishment and maintenance of adequate provider networks,
- customer services for beneficiary network providers,
- medical management, and

Congressional Research Service

<https://crsreports.congress.gov>

IN11719

- clinical quality improvement programs.

The RFP also outlines additional contract requirements that DHA anticipates using to address congressionally directed reforms focused on [value-based care](#) and integrating certain commercial health insurance best-practices. These requirements, among others, include:

- “advanced primary care practices” (commonly referred to as *patient-centered medical homes*) in the TRICARE networks;
- “advanced care management” (use of predictive analytics and care collaboration tools to manage patients with complex care needs);
- recognition, rewards, and value-based incentives to “motivate providers to invest in and adopt new approaches to care delivery;”
- partnerships with “high-performing, high-value” providers and facilities to be used as “Clinical Centers of Excellence” (preferred referral centers for care);
- [alternative provider payment and reimbursement models](#); and
- cooperation in potential demonstration projects that contract with alternative regional or local health care organizations (separate from T-5) to provide TRICARE health benefits.

Other TRICARE contracts, not T-5, are used for administrative and health care services support for beneficiaries outside of the United States, including certain U.S. commonwealths and territories.

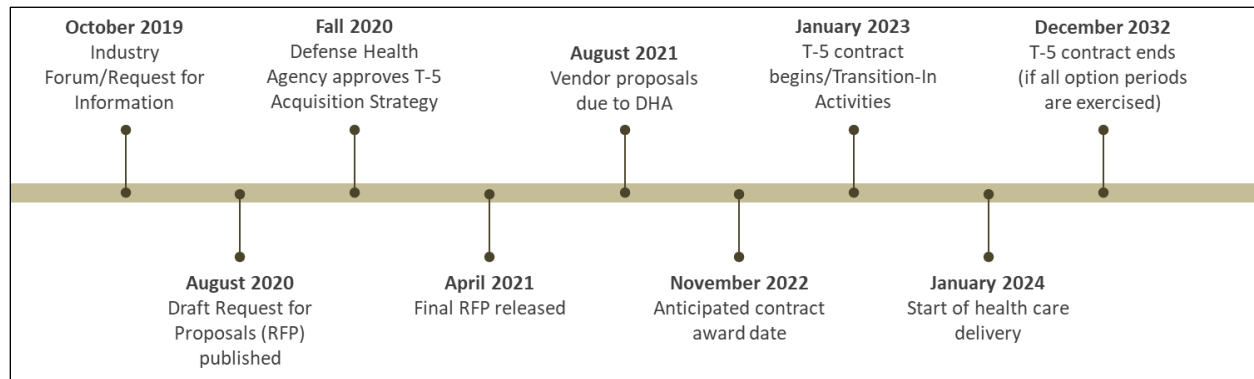
What is DHA’s acquisition strategy and timeline for T-5?

According to the DHA’s 2020 [report](#) to the Senate Armed Services Committee on the T-5 contract structure, the new contracts are to “provide the best readiness of the military at the best price in an integrated system that is responsive to beneficiary experience of care.” The [RFP announcement](#) states that a “full and open competitive source selection, using best value trade-off procedures” will be used to award the contract. The T-5 contracts have a potential 10-year period of performance, to include:

- transition-in activities (12 months);
- eight option periods for health care delivery (1-year periods);
- transition-out activities (18 months); and
- if needed, a 6-month extension of services.

Neither the acquisition strategy nor the RFP describes the exact value of these contracts. However, the value of T-5 could exceed the total contract value of current TRICARE contracts, known as *T-2017* ([valued at \\$58 billion in 2016](#)), which are limited to a potential eight-year period of performance, and are scheduled to end in 2023.

Figure 1 depicts a hypothetical T-5 contract timeline, from 2019 through 2032, if DHA exercises all options.

Figure I. Hypothetical DHA T-5 Acquisition Timeline

Source: CRS graphic based on email communication with DHA officials in September 2020 and SAM.gov, [Notice of Solicitation: HT9402-20-R-0005](#), “Request for Proposals TRICARE Managed Care Support (T-5),” April 15, 2021.

How will DHA evaluate contract bids for T-5?

DHA indicates that it aims to award T-5 contracts to offerors whose proposals meet requirements and represent the best value to the government. DHA plans to evaluate each offer against [four factors](#):

- *Technical Rating* (how well the proposed technical solution will meet the government’s requirements) and *Technical Risk Rating* (how much risk the proposed technical solution poses to the contract’s schedule, cost, performance, or government oversight);
- Past Performance (how well an offeror has conducted recent, relevant work);
- Price/Cost (the total cost of the proposed technical solution to the government); and
- Small Business Participation.

A single vendor may not be awarded T-5 contracts for both TRICARE regions. Announcement of awardees is expected in November 2022.

Considerations for Congress

Congress may consider the following lines of inquiry to gather information on DHA’s transition to the T-5 contracts while maintaining adequate access to care, beneficiary satisfaction, and cost controls.

- A 2019 [Government Accountability Office \(GAO\) report](#) recommended that DHA improve future transitions between TRICARE contractors by better defining its data sharing requirements for the contractors, revising processes for resolving contract-related issues, and incorporating lessons learned from the T-2017 acquisition process. As of July 2021, GAO’s recommendations were “open.” Will DHA incorporate these recommendations into the T-5 acquisition strategy?
- After DHA awarded the T-2017 contracts in 2016, multiple bid protests were [filed with GAO](#) and in the [U.S. Court of Federal Claims](#), subsequently delaying the contract start dates by three months. What actions, if any, is DHA taking to avoid potential bid protests after awarding the T-5 contracts? How can DHA adjust its acquisition timeline and contract start dates if bid protests are filed?
- The T-5 acquisition strategy summary stated that DHA plans to “seek any necessary legislative relief” in order to implement further TRICARE reforms. What new authorities are needed to make such reforms?

Author Information

Bryce H. P. Mendez
Analyst in Defense Health Care Policy

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.