



TRICARE's Next Generation Contracts: T-5

Updated August 24, 2023

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 is organized under the TRICARE program. The [TRICARE program](#) offers health care benefits to approximately 9.6 million beneficiaries in DOD hospitals and clinics (i.e., *military treatment facilities* or 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 [enacted 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 incorporate congressionally mandated reforms.

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

What is T-5?

DHA envisions that 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,
- enrollment process management,
- health care finder and referral services,
- establishment and maintenance of adequate provider networks,
- customer services for beneficiary network providers,
- medical management, and

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- clinical quality improvement programs.

The RFP outlines contract requirements that DHA anticipates using to address congressionally directed reforms that stipulate [value-based care](#) and commercial health insurance best-practices. These requirements include

- “advanced primary care practices” (also called *patient-centered medical homes*) in TRICARE networks;
- predictive analytics and care collaboration tools to manage patients with complex needs;
- incentives to “motivate providers to invest in and adopt new approaches to care delivery”;
- partnerships with “high-performing, high-value” providers/facilities to serve as “Clinical Centers of Excellence”;
- [alternative provider payment and reimbursement models](#); and
- cooperation in future demonstration projects that contract with other health care organizations (separate from T-5) to provide TRICARE benefits.

T-5 is to provide services for beneficiaries in the 50 states and District of Columbia. The TRICARE Overseas Program contract (i.e., *TOP-2021*) offers services for beneficiaries residing in other U.S. commonwealths and territories and outside the United States.

DHA’s acquisition strategy and timeline for T-5

DHA’s 2020 [report](#) to the Senate Armed Services Committee on the T-5 contract states 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 “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 performance period, including

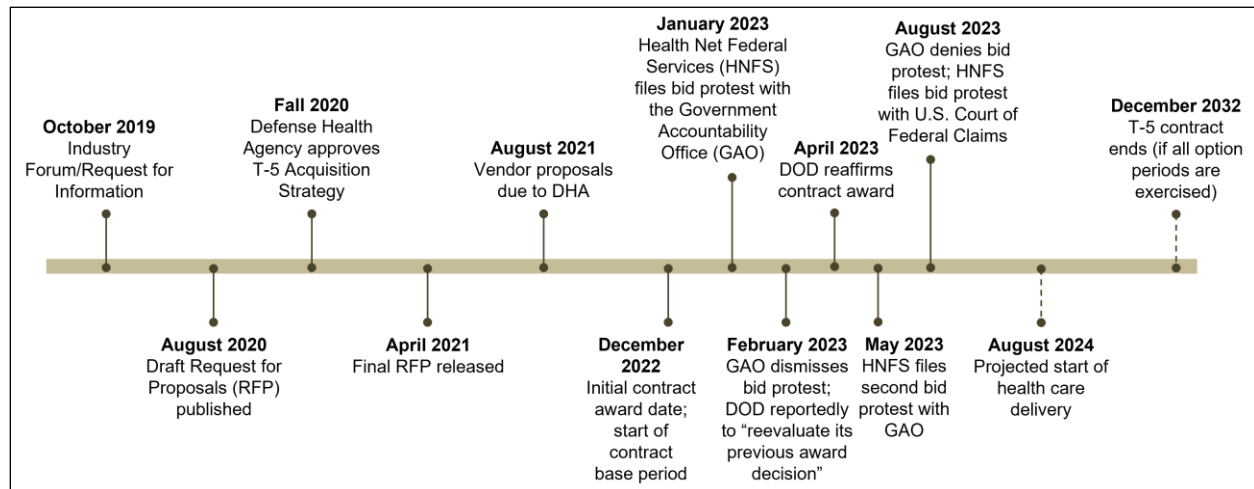
- transition-in activities (12 months);
- eight 1-year option periods for health care delivery;
- transition-out activities (18 months); and
- an optional 6-month extension of services.

On December 22, 2022, [DOD announced](#) selectees and the estimated value of the T-5 contracts:

- [Humana Government Business](#), TRICARE East, (\$70.9 billion), and
- [TriWest Healthcare Alliance](#), TRICARE West, (\$65.1 billion).

[Health Net Federal Services](#) (HNFS), the current TRICARE West contractor under the [T-2017 contracts](#), filed a [bid protest](#) with the Government Accountability Office (GAO) on January 17, 2023. [DOD reportedly](#) rescinded its initial contract awards and “elected to take corrective action to address concerns in the procurement.” On April 20, 2023, DHA “[reaffirmed the award of the TRICARE West region](#)” to TriWest Healthcare Alliance. HNFS filed a [second bid protest](#), which [GAO denied on August 4, 2023](#), then [reportedly filed a bid protest](#) with the U.S. Court of Federal Claims on August 8, 2023.

Figure 1 depicts estimated T-5 contract milestones, from 2019 through 2032, with all options exercised.

Figure I. DHA T-5 Acquisition Timeline

Source: CRS graphic based on email communication with DHA officials, September 2020; SAM.gov, [Notice of Solicitation: HT9402-20-R-0005](#), “Request for Proposals TRICARE Managed Care Support (T-5)”; DOD, “[DoD Awards \\$136 Billion TRICARE Managed Care Support Contracts](#),” December 22, 2022; GAO Bid Protest Decisions and the Docket, “[Health Net Federal Services, LLC \(HT9402-20-R-0005\)](#),” February 9, 2023, and August 4, 2023; DHA, “[Defense Health Agency Reaffirms Award of TRICARE West Region Contract to TriWest Healthcare Alliance](#)”; and Justia Dockets & Filings, “[Health Net Federal Services, LLC v. USA](#),” August 8, 2023.

Note: Dash line = hypothetical milestone dates.

DHA evaluation of T-5 contract bids

DHA assessed bids for [four factors that represent best value to the government](#):

- *Technical Rating* (how well the technical solution will meet the government’s requirements) and *Technical Risk Rating* (how much risk the 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 to the government; and
- Small Business Participation.

A single vendor may not be awarded T-5 contracts for both TRICARE regions.

Considerations for Congress

Congress may consider the following lines of inquiry to oversee DHA’s transition to the T-5 contracts.

- On December 23, 2022, [DHA issued an extension of the T-2017 contracts](#) to no later than June 2025. DHA stated, “several projects to support T-5 requirements development were cancelled, disapproved, delayed, or reduced in scope, which negatively impacted T-5 outcomes and placed the acquisition schedule at risk.” Is DHA capturing lessons learned during the T-5 acquisition process for application in the procurement of the next iteration of TRICARE contracts?
- What actions will DHA implement to ensure beneficiaries receive seamless and timely access to quality care during potential litigation and the contract transition process?

- The T-5 acquisition strategy summary states DHA’s plan to “seek any necessary legislative relief” to implement further TRICARE reforms. What new authorities are needed to make such reforms?

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