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# U.S. House of Representatives

## COMMITTEE ON VETERANS' AFFAIRS

ONE HUNDRED FIFTEENTH CONGRESS

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WASHINGTON, DC 20515

<http://veterans.house.gov>

April 11, 2018

Dr. Carolyn Clancy  
Executive in Charge, Veterans Health Administration  
U.S. Department of Veterans Affairs  
810 Vermont Avenue, NW  
Washington, D.C. 20420

Dear Dr. Clancy,

The collapse of last month's agreement to enact community care consolidation legislation was extremely disappointing. While the traditional non-VA care programs continue to be a patchwork, well-run by some medical centers and dysfunctional in others, Health Net Federal Services' administration of the Choice program in Michigan, the Great Plains, and the East has degenerated since last year. Health Net has become distracted and uncommitted to serving Veterans and health care providers in the program, and there is no other option than to allow Health Net's Choice administrator contract to expire. I support VA's decision to do so, but that is merely the first step in fixing community care.

Enacting the community care consolidation legislation remains Chairman Roe's highest priority. It is vital that we eliminate the confusing, often arbitrary, differences among the traditional non-VA care programs and the Choice program. All of these programs serve the same purpose—to get Veterans prompt, high quality care when VA is unable or unwilling to perform. Veterans and their health care providers should not have to stumble through a jungle of confusing procedures. It is inexcusable that Veterans have debt collectors hounding them and physicians are driven to bankruptcy because Health Net or VA cannot pay claims.

I am committed to sweeping ancillary political concerns aside and passing the legislation. Even before that happens, there are steps VA can take to improve the situation. Many involve contracts. As you are well aware, many of the Choice program's difficulties are the direct result of early contractual flaws. Given the Veterans Choice Act's short implementation timeframe in 2014, VA decided to use the existing Patient Centered Community Care (PC3) administrator contracts, held by Health Net and TriWest Health Care Alliance, to carry out the Choice program. This meant running two very different programs on the same terms and conditions and payment structure. Dozens and dozens of contract modifications ensued, attempting to work out the kinks. While the Choice contracts have improved incrementally over the past four years, adapting unsuitable contracts is too painful and should never be attempted again.

You now have an opportunity to separate the PC3 and Choice programs. Whereas Health Net's contract will lapse in September and VA will coordinate directly with the remaining providers in Health Net's territory, VA has decided to continue TriWest's contract. Instead of simply extending the existing TriWest contract, which still includes PC3 as well as Choice, it would be better to put in place

a new contract for Choice alone, reflecting the program's current reality and including stronger internal controls. VA has learned many valuable lessons over the past four years of running the Choice program, and it would be beneficial to restructure the contract to reflect them. If a PC3 contract is still necessary in TriWest's territory, a separate, new contract should be put in place for it as well. Although this is more difficult than a signing a simple extension, it is the responsible thing to do and the regulations allow it.

Relatedly, you also have an opportunity to strengthen the forthcoming consolidated community care network administrator contracts, the successors to Health Net and TriWest's Choice administrator contracts. VA solicited proposals for new administrators on December 28, 2016, anticipating that Congress would enact the legislation in short order and attempting to be prepared to award the contracts when that happened. The request for proposals contained an extraordinary number of placeholders and caveats, to the extent that companies considering a bid could not know which work VA would actually expect them to perform if selected. Unfortunately, as you know, this approach has not been successful. The companies covered their risk by proposing high prices. VA has been evaluating the proposals since July 2017 and has not been able to make an award for any of the four regions. The contracting staff is now attempting, in various regions, to negotiate revised proposals or start over. Since many of these requests for proposals must start over, it would be advantageous to rewrite them completely to reflect the outlines of the community care consolidation legislation. The House and Senate bills are now well known, and they have relatively few significant differences, compared to the draft legislation that existed when VA originally solicited the proposals.

Any companies administering VA's consolidated community care program must be absolutely committed to the mission and customer service. The only way to ensure that is to have well-planned contracts that reflect the program as it actually exists, with smart incentives and strong accountability mechanisms built in. It should be noted that Health Net's performance as a Choice administrator was not always so disappointing, and the company has operated more successfully for years as a TRICARE administrator. A new administrator will only perform as well as VA incentivizes, measures, and inspects, as stipulated in its contract.

Please indicate what courses of action the Department intends to take regarding the TriWest contract extension and the award of the four new community care network administrator contracts. If you have any questions about these matters, please do not hesitate to contact Mr. Jon Hodnette, Majority Staff Director of the Subcommittee on Oversight & Investigations, at (202) 225-3569.

Sincerely,



**JACK BERGMAN**

Chairman

Subcommittee on Oversight & Investigations

JB/wm