



TRICARE
MANAGEMENT
ACTIVITY

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SEP 19 2008

MEMORANDUM FOR ACTING CHIEF FINANCIAL OFFICER
CHIEF FORCE HEALTH PROTECTION AND
READINESS PROGRAMS
CHIEF HEALTH PLAN OPERATIONS
CHIEF INFORMATION OFFICER
CHIEF MEDICAL OFFICER
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JOINT MEDICAL INFORMATION SYSTEMS OFFICE
CHIEF OF STAFF, TMA
DIRECTORS OF TRICARE REGIONAL OFFICES
DIRECTOR, TRICARE AREA OFFICE-EUROPE
DIRECTOR, TRICARE LATIN AMERICA CANADA
DIRECTOR, TRICARE AREA OFFICE-PACIFIC

**SUBJECT: The Use and Management of Time and Material and Labor Hour Contracts
Within TRICARE Management Activity**

The purpose of this memorandum is to reinforce recent guidance issued by the Department of Defense (DoD) regarding Time and Materials (T&M) contracts.

The DoD T&M contracts are the least preferred contract types and as specified in the Federal Acquisition Regulation (FAR) Part 16.601, authorized only "when it is not possible at the time of placing the contract to estimate accurately the extent or duration of the work or to anticipate costs with any reasonable degree of confidence." Despite this, they continue to increase.

The Director, Defense Procurement, Acquisition Policy, and Strategic Sourcing (DPAP) has issued two recent memoranda regarding T&M contracts:

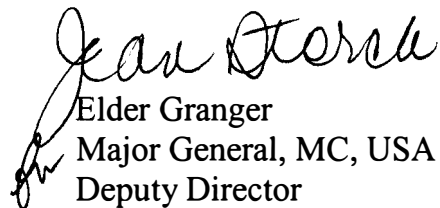
1. DPAP memo, subject: Proper Use of Time-and-Materials Contract Types, dated March 20, 2008 (Attachment 1), calls for procedures to analyze whether T&M contracts and orders under indefinite-delivery contracts are being used when other contract types are suitable, and actions to reduce the use of T&M contracts whenever possible.

2. DPAP memo, subject: Management of Contractor Performance under Time & Materials and Labor Hour Contracts for Services, dated July 14, 2008 (Attachment 2), addresses the monitoring of contractor performance, especially under T&M and Labor Hour contracts.

In response to the first of these memoranda, the United States Army Medical Research Acquisition Activity (USAMRAA) now requires a written justification from the TRICARE Management Activity (TMA) requiring activity whenever any contract type other than a Firm Fixed Price (FFP) award is requested. The TMA requiring activity must fully justify any proposed use of a T&M or Labor Hour type contract in the cover memorandum for the procurement package. USAMRAA has also advised TMA that requests for the use of a T&M type contract will be limited to a period of performance of no more than 3 years, unless a very strong justification is made.

All three planned TMA contract vehicles are now in place allowing for a wide variety of types of awards. When uncertainties involved in contract performance do not permit costs to be estimated with sufficient accuracy to use any type of fixed-price contract, TMA requiring activities shall, in most cases, use a cost-type contract. In those rare cases where it is not possible at the time of placing the contract to estimate accurately the extent or duration of the work or to anticipate costs with any reasonable degree of confidence, such that a cost-type contract would not be suitable, T&M contracts may be used. However, the contracting officer must prepare a determination and findings (D&F) that no other contract type is suitable and rationale for the determination.

Should you have any questions on this guidance, my point of contact is Ms. Suzanne Curtis at (703) 681-1113.


Elder Granger
Major General, MC, USA
Deputy Director

Attachments:
As stated