

# Making Acquisition Agile: Insights from Dr. Barclay Butler, Component Acquisition Executive, Defense Health Agency

By Michael J. Keegan



The Defense Health Agency (DHA) supports the delivery of integrated, affordable, high-quality healthcare services to the military health system (MHS). To meet its mission—to provide a medically ready force and

a ready medical force—the agency must acquire critical products and services. The DHA embraces and applies the full range of acquisition disciplines to ensure the efficient delivery of effective medical products and services. Its Component Acquisition Executive, J-4, oversees these functions as they are applied to the acquisition of supplies, equipment, services, information technology systems, and infrastructure.

What is the mission of the DHA's Component Acquisition Executive? How is the DHA working with industry? How is the DHA applying agile principles to its acquisition functions? Dr. Barclay Butler, Component Acquisition Executive for the Defense Health Agency, joined me on *The Business of Government Hour* to share his insights on these topics and more. The following is an edited excerpt of our discussion complemented with additional research.

## Could you tell us more about the mission of the Defense Health Agency? How does your office support its mission?



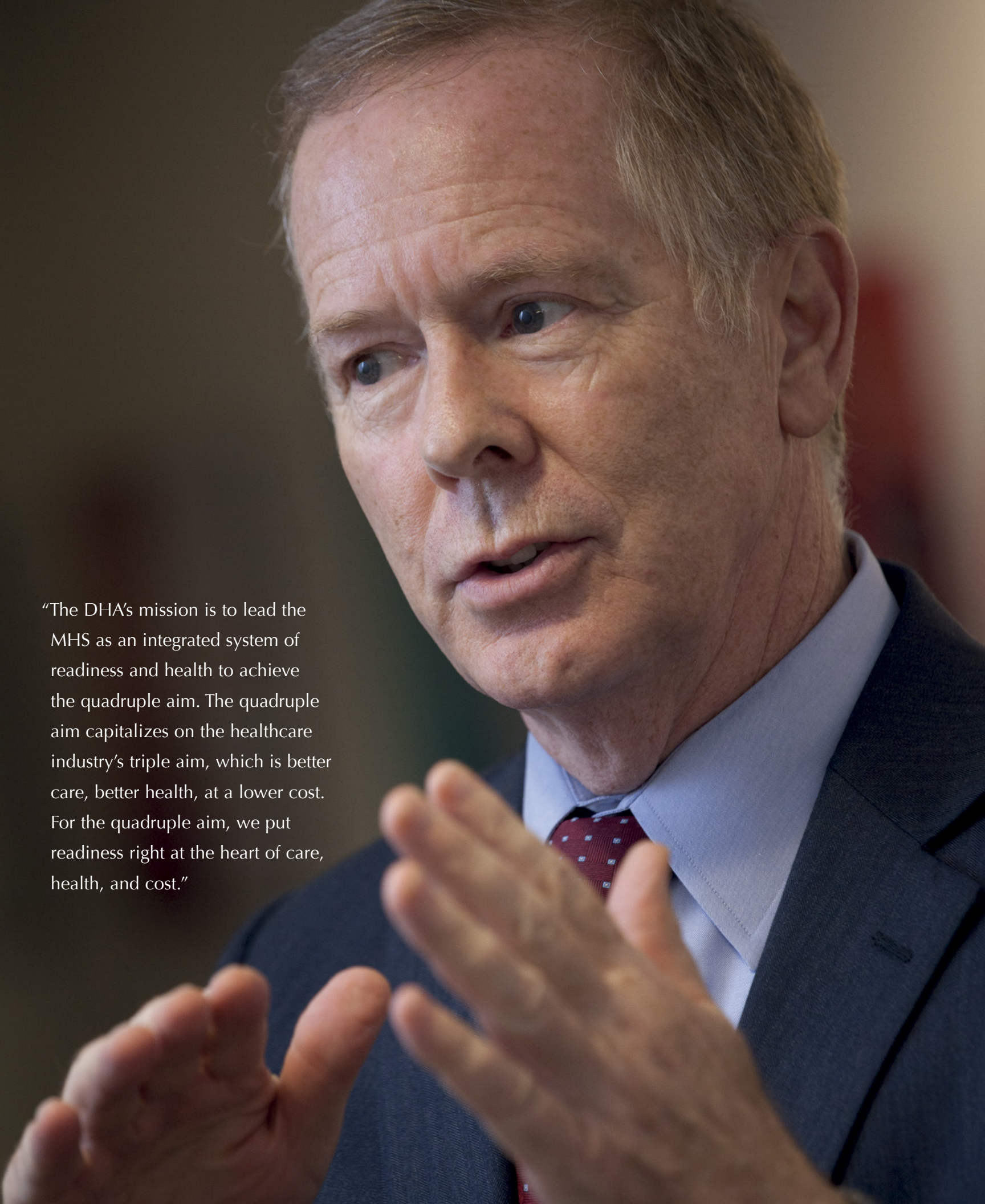
**Dr. Butler:** The DHA is a joint integrated combat support agency that enables the Army, Navy, and Air Force medical services “to provide a medically ready force and a ready medical force” to combatant commands in both peacetime and wartime. Its mission is to lead the MHS as an integrated system of readiness and health to achieve the quadruple aim. The quadruple aim capitalizes on the healthcare industry’s

triple aim, which is better care, better health, at a lower cost. For the quadruple aim, we put readiness right at the heart of care, health, and cost.

The DHA had its genesis in a 2011 MHS report. This report identified a need for the Department of Defense (DoD) to be more efficient in the delivery of care while enhancing its readiness mission. Prior to the creation of the DHA, the medical services of the Army, Navy, and Air Force ran the DoD’s direct care system via our military treatment facilities (MTFs—with the TRICARE Management Activity running the purchase care piece of the MHS. What really needed to happen was for these disparate elements to be combined into a single integrated delivery network. That was the impetus for the DHA.

My office provides oversight and approval of all acquisition matters for the DHA, including those performed under purview of the agency’s Program Executive Officers and those undertaken within the agency’s directorates and offices. The exception to this are acquisition matters explicitly reserved for oversight and approval by the Under Secretary of Defense (Acquisition, Technology, and Logistics). We support the medical mission of the Department of Defense by:

- Applying acquisition policy guidance, processes, life-cycle oversight, and management
- Providing a qualified workforce to acquire products and services that contribute to a medically ready force and a ready medical force
- Delivering timely, measurable improvements to medical capabilities at an affordable cost



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### What are your specific responsibilities as the DHA's Component Acquisition Executive (CAE)?



**Dr. Butler:** Though I have a dotted line to the department's Under Secretary of Defense (Acquisition, Technology, and Logistics), my direct line of command and control is to Vice Admiral Bono, Director, Defense Health Agency. I am the principal adviser to Vice Admiral Bono on all matters regarding acquisition and procurement. On the acquisition side, I am responsible for planning, programming, budgeting, execution, and coordination across that management structure. It is my responsibility to drive improved acquisition, more efficient deployment of our systems, and overall management of the program—including oversight of the managers themselves.

In addition, the CAE is responsible for creating a professional, agile, and motivated DHA defense acquisition workforce that consistently makes smart business decisions, acts in an ethical manner, and delivers timely and affordable capabilities.

### What challenges do you face and how do you seek to address them?



**Dr. Butler:** My top management challenge is being short-staffed. CAE is at about 50 percent of staffing. Hiring freezes coupled with a 10 percent higher-than-average turnover rate in contracting officers (1102 series) have contributed to staff shortages, which significantly stresses the organization.

I am always looking for ways to reduce the “demand signal” (or workload) placed on contracting officers. It enables them to focus more on writing better contracts and better performance work statements. It also means they can implement quality control measures to ensure the efficient delivery of the right products and services to our customers. We standardize how we do our business and redirect our demand signal. Many of our customers need to make very small dollar purchases and the expanded use of the Government Purchase Card (GPC) program enables them to do that. At the same time, it frees up our contracting officers to focus on more complex contracts.

The full cost of a \$1,000 purchase executed by a contracting officer is significant. For example, it costs us \$2,000 to write a contract and \$2,000 to close a contract—so a \$1,000 item just cost the government \$5,000. That's why I'm expanding the use of the GPC. I'm following the Air Force model in this area. It takes a very solid end-to-end management approach to using the GPC across the enterprise.

Acquisition forecasting is a serious challenge as well. A good forecast allows us to plan, project, and manage workload more effectively. This, in turn, enables me to manage the workforce more efficiently. I can prioritize the level of effort and get our customers what they need. I meet with them, set expectations, and make sure our colleagues understand timelines. Given the complexity of these purchases, the work isn't immediate. It could take six months to a year, perhaps longer. I help them project: Where do they need to be in six months? In a year, or in two years? Forecasting is so important. It means we secure better products and services. And we continue to improve our contract forecasting working with industry. In fact, we emphasized the importance of forecasting at some recent Industry Days.

### What is strategic sourcing and how are you leveraging it?




**Dr. Butler:** Strategic sourcing is very important to us. It allows us to realize significant savings by making purchases as if we were a single, unified buyer—rather than purchasing through thousands of small contracts. We are able to negotiate better prices and services, while simultaneously reducing wasteful contract duplication across government.

Prior to the strategic sourcing effort, thousands of contracts allow military treatment facilities to procure access to clinical and ancillary staff. We've created a single contracting vehicle—a strategic sourcing vehicle with common terms, conditions, and pricing across the enterprise. (At the time of this conversation, this contracting vehicle was under competition. It is expected to be awarded in the first quarter of 2018.)




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**Is the DHA moving away from lowest price, technically acceptable (LPTA) contracting toward best value with a fixed-price incentive fee or award fee?**

 **Dr. Butler:** LPTA contracts have been described as a race to the bottom for us and our vendors; to win business, vendors are pushed to cut their prices further and further until they’re right on the edge of collapse. That’s not good for anybody, so we’re getting away from it. There are times when LPTA contracts are exactly the right choice. For example, I’m buying network services and I need five nines of reliability for a network. It makes sense to use an LPTA contract to find the vendor who can give us the best price on that procurement. That said, most of our needs are for professional services and the LPTA approach is the wrong way to go.

We’re actually moving toward performance-based contracts. Specifically, we are looking at two approaches. First, there’s the traditional performance-based contract that focuses on how quickly a vendor delivers. Does a vendor deliver on time? Are the folks properly trained? In the clinical world, we want to incentivize and measure based on clinical performance. We’re also looking to use fixed-price or cost-plus contracting approaches. We want vendors to keep the doors open and the lights on—but the real money is tied to actual performance. We want to get to incentive-based performance contracts. There are models currently being used in the private sector. We’ve just got to figure out how to do it ourselves.


**Could you tell us more about your industry outreach efforts? How do you exchange ideas and ensure transparency across your acquisitions?**

 **Dr. Butler:** We’re reaching out to industry more now than we have in the past. It’s a key priority of Vice Admiral Bono. She understands the value of strong and healthy relationships with our industry community. Collaboration enables us to innovate, leverage resources, and achieve greater success.

Of course, we’re going to go about it in the right way. We all know the rules and we play by them. Listening to what people want, we have established two very broad “industry days” per year. We ran one in May and have another scheduled for November. We also have opportunity-specific industry days that focus on our larger opportunities.

We also have the Industry Partner Network (IPN). The purpose of the IPN is to gather market intelligence for innovative solutions and products. As an overview, industry stakeholders will be asked to submit a written response on topics where the DHA is seeking market intelligence and innovative solutions to solve known or future requirements. The DHA will analyze these submissions and may invite selected vendors to present their solutions and/or products to a DHA panel. The panel will analyze the presentations, ask questions, and have open discussions with the vendors. The market intelligence gained as a result of the IPN process is intended to improve requirements, innovate potential solutions, and expand acquisition resources. My long-term measure of success for this exercise would be how many of the “Shark Tank” thumbs-ups actually make it into real programs.

**How have you embraced agile principles in the delivery of the acquisition function?**

 **Dr. Butler:** Agile has its roots in the software development industry. It is a set of values and principles based on best practices in the delivery of software and other IT projects. Agile provides the flexibility to adapt to changes over time. The key intent of agile solution delivery is to provide value to an organization in increments, which are adjusted and built over time into a scalable solution. Applying this concept to acquisition allows us to evolve requirements.

Remember the program managers' iron triangle—requirements, cost, and schedule? Unlike agile, under the waterfall software development approach, requirements are fixed while cost and schedule change. Under agile, cost and schedule remain fixed and the requirements can fluctuate. The end customer gets a better product because they get to shape it along the way. Take that to a contracting officer and they'll say our contracting processes are much closer to a waterfall approach. We want to break that mold.

Colonel Wilson from our systems design group is using agile development and agile implementation. What I want to do now is marry up one of his small projects with an agile contracting piece and train my contracting officers how to write agile contracts. Then I'll have a process that I can expand more broadly.

### What has surprised you since taking on your new role?



**Dr. Butler:** I continue to be surprised at how great this job is. I hadn't expected it, as procurement and acquisition tend to be viewed as "back office" functions that rarely anyone hears about. Nothing could be further from the truth. I get to touch just about every facet of the DHA mission. Our actions can affect the quality of clinical care delivered by the MHS. If I can provide performance-based contracts that incentivize quality of care, then I can help drive how well we treat our patients. "You might think, really? Can a contracting guy affect clinical care? Absolutely." Vice Admiral Bono gives us the latitude to achieve and innovate. As a leader, she expects us to get the job done but also encourages us to innovate. It's wonderful. ■

To learn more about the DHA's Component Acquisition Executive, go to [health.mil/About-MHS/Defense-Health-Agency/Component-Acquisition-Executive](http://health.mil/About-MHS/Defense-Health-Agency/Component-Acquisition-Executive).



To hear *The Business of Government Hour* interview with Dr. Barclay Butler, go to the Center's website at [www.businessofgovernment.org](http://www.businessofgovernment.org).



To download the show as a podcast on your computer or MP3 player, from the Center's website at [www.businessofgovernment.org](http://www.businessofgovernment.org), right click on an audio segment, select Save Target As, and save the file.



To read the full transcript of *The Business of Government Hour* interview with Dr. Barclay Butler, visit the Center's website at [www.businessofgovernment.org](http://www.businessofgovernment.org).