

STATEMENT OF
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DEPARTMENT OF VETERANS AFFAIRS (VA)
BEFORE THE
COMMITTEE ON VETERANS' AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
ON
COMMUNITY CARE NETWORK NEXT GENERATION: ONE TRILLION DOLLARS OF
OVERSIGHT
JANUARY 22, 2026

Mr. Chairman, Ranking Member, and distinguished Members of the Committee, thank you for the opportunity to discuss the Veterans Community Care Program (VCCP) and the Community Care Network (CCN) Next Generation (Next Gen) contract procurement. I am accompanied today by Ms. Alicia Skolrood, Executive Director of Integrated External Networks, Office of Integrated Veteran Care, Veterans Health Administration.

VA has long been recognized for the world-class health care we provide to Veterans across more than 1,500 medical facilities. In addition to the direct care system, VA has also been a purchaser of health care since before the World War II era. As a health care payer, VA partners with local hospitals, doctors, and other health care providers to ensure that Veterans have access to the care they need, where and when they need it. Caring for Veterans is about more than operating hospitals. It is about supporting Veterans' physical and mental health and wellness, their families and caregivers, and leveraging community services beyond the walls of our facilities.

Recognizing the key role that purchased care plays in VA's ability to provide for Veterans' health and wellness, President Trump and Congress passed the bipartisan VA Maintaining Internal Systems and Strengthening Integrated Outside Networks (MISSION) Act of 2018 (P.L. 115-182). The VA MISSION Act expanded access and choice for Veterans and reinforced VA's mission as both a health care provider and payer. Today, VA is the country's largest single health care provider through our hospitals and clinics, and the fourth largest health care payer through VCCP. In Fiscal Year 2025, 41.8% all health care appointments Veterans booked with VA were in the community. CCN Next Gen is VA's first major procurement effort to support this program since shortly after enactment of the VA MISSION Act, when the legacy CCN contracts were awarded in 2018. CCN Next Gen is our opportunity to increase competition, upgrade, and modernize the provider network, and enhance services to ensure that Veterans receive the very best health care possible, whether at a VA facility or in their community from a local health care provider.

Fortunately, VA has had significant input and support in designing CCN Next Gen. We talked directly with our Veterans. We asked what they need and want from community care, and how the program can best serve them. Veterans overwhelmingly want choice. They want the flexibility to choose between direct care and VCCP based on best medical interest, availability, and convenience. Most importantly, Veterans want health care choices that meet them where they are.

We talked to other Government Agencies. The Department of Health and Human Services (HHS) operates the country's three largest payer programs. HHS brings decades of experience and data on improving health care quality, reducing costs, and

aligning incentives for better health and wellness. The Department of War (DOW) also operates both a direct care system and a payer program, with expertise in managing capacity and access across both while maintaining an overall focus on quality and cost. HHS and DOW both have insights into what works, what does not work, and where VA can have maximum impact by leveraging lessons already learned.

We engaged with industry leaders. Non-VA hospitals and insurers are constantly innovating in the health care marketplace. They are experimenting with new delivery models, leveraging data and analytics, striving to be consumer-oriented, and tackling costs that remain too high. Industry has provided VA with a roadmap of successes and failures and how VA might capture the best of the innovation in health care and apply them to VA's model for the benefit of our Veterans.

By combining VA's history as a health care payer with the improvements made by the VA MISSION Act, incorporating Veterans' needs and demographics, and leveraging external innovation, VA successfully issued the CCN Next Gen Request for Proposals on December 15, 2025. VA is leading the Nation with an innovative 10-year, multiple award Indefinite Delivery Indefinite Quantity (IDIQ) contract vehicle which has several key advantages over traditional Federal health care contracts.

First, this approach allows VA to make multiple awards to offerors that meet our requirements, but vary in size, capabilities, and regional presence. Under a traditional Federal health care procurement model, only the largest national third-party administrators (TPA) would have the scale to propose on CCN Next Gen. However, with the multiple award IDIQ, VA expects responsive proposals from regional health plans that have unique capabilities that are locally adaptable.

Second, the multiple-award structure enables VA to iteratively adapt CCN Next Gen to meet Veterans' changing needs over time and to match VA's increasing sophistication to manage the program. Over the 10-year performance period of the contract, VA can issue multiple rounds of task orders for which contractors can compete. Our initial task orders will resemble current CCN operations: large, fee-for-service TPAs with expanded requirements from legacy CCN contracts, and incentives and penalties tied to that performance. However, immediately after issuing these initial task orders, VA will begin designing the second round of task orders. The second round of task orders will be more regional and increase both the requirements and the opportunities for the vendors. The sequential use of task orders will give industry the opportunity to adapt its capabilities to better serve Veterans, but it will also allow VA to improve and enhance our internal program management capabilities.

Third, by allowing for multiple contractors to compete for multiple rounds of varied task orders, CCN Next Gen will ensure continuous competition over the performance period of the contract. Contractors who fail to perform may be off-ramped, task orders can be modified, and more sophisticated requirements may be introduced. The design of the multiple award IDIQ allows ongoing quality and performance improvement between VA and our contractors.

The IDIQ is the *how* of this procurement, but the most exciting part of CCN Next Gen is the *what*. CCN Next Gen will be a dramatic modernization of the current CCN contracts. It will begin with the recognition that VA must have the tools and capabilities to drive outcomes, ensure quality, and manage costs effectively. CCN Next Gen is

designed on five pillars: Quality, Value, Alternative Payments, Utilization Management, and Program integrity.

VA will implement comprehensive quality programs for community providers based on nationally recognized measures from the Agency for Healthcare Research and Quality (AHRQ) and the Healthcare Effectiveness Data and Information Set (HEDIS). Contractors will track patient safety events, identify Veterans at risk of avoidable emergency visits and readmissions through predictive analytics, and, while respecting their choice, guide Veterans toward high-performing providers using data-driven algorithms. This program ensures that Veterans are not simply referred to any available provider, but to those demonstrating strong outcomes and safe, high-quality care.

CCN Next Gen will modernize how VA pays its contractors for the care furnished to Veterans by implementing value-based payment models. Based on existing needs and capabilities, VA will begin with episode-based payments for lower-extremity joint replacements. As we gain the data and expertise to manage alternative payments, we will introduce at least three increasingly sophisticated models over the performance period of the contract. These models will shift payment away from volume and toward outcomes and total cost of care, aligning contractor incentives with Veteran health and system sustainability.

CCN Next Gen's care coordination incorporates utilization management processes proven in other payer programs and aligned with industry standards. This includes active management of inpatient admissions, emergency department use, concurrent hospital reviews, and high-cost drugs administered in clinical settings. VA will measure

and report performance, benchmark results, and drive continuous improvement. These measures are designed to reduce unnecessary hospitalization and inappropriate care while protecting Veterans' access to medically necessary services.

CCN Next Gen will include a full program integrity function to ensure that VA resources are protected and maximized. Contractors will maintain compliance committees, appoint dedicated compliance officers, and operate Special Investigations Units to detect and investigate fraud, waste, and abuse. They will identify providers at higher risk of improper billing, formalize oversight processes, expand data and technology for improper payment detection, and submit to independent audits. This shifts VA from a system that paid bills after-the-fact to one that actively prevents and detects abuse.

The last exciting innovation in CCN Next Gen is how VA will manage its contractual relationship with contractors. VCCP's ultimate goal is to provide the highest quality care for Veterans at the lowest cost to taxpayers. Achieving this outcome depends equally on the agency and industry. CCN Next Gen will be a contractual relationship with contractors, leveraging all VA and industry brings, in the service of our Veterans. Historically, VA's approach, like most Government Agencies, has been to try to predict the next several years, compete it, award it, and then manage it. CCN Next Gen will allow VA to gain the information needed during the contractors' performance on capacity, capabilities, regional adaptations, innovation, and pricing and to do so continuously through the task order formation and issuance process.

CCN Next Gen will change how VA pays our contractors to incentivize performance and outcomes. CCN Next Gen will incorporate incentives and

disincentives based on the total cost of care, quality performance, value-based care adoption, and payment integrity. Contractors may earn up to 2.25% in incentive payments or be subject to disincentives of up to 3% of administrative fees if they fail to meet contract requirements. This ensures that contractors have "skin in the game" and remain accountable for how well they serve Veterans and manage taxpayer dollars. Ultimately, contractors who achieve VA quality targets, while reducing costs, will share in the value they create for VA and for Veterans.

Taken together, the payment changes included in CCN Next Gen will be significant. We will change how contractors pay community health care providers by introducing value-based care and require alternative payment models that align with evolving industry standards. We will also change how VA pays our contractors, introducing incentives and disincentives that move away from fixed administrative costs. These payment changes align VA with contractors and with our community providers.

Our actuarial analysis of the CCN Next Gen program design changes, along with these payment changes, estimate significant savings of 8-14% over the life of the contracts. Under conservative assumptions, the cost-containment framework is expected to reduce community care spending by approximately \$54 billion over the next decade. Under stronger performance scenarios, the cost-containment framework's estimated reduction could approach \$100 billion. These savings will be driven by fewer unnecessary hospitalizations, improved management of high-cost services and drugs, improved quality, and stronger fraud and payment controls.

Mr. Chairman, CCN Next Gen is leading the way in how Federal health care programs can be designed, procured, and operated. I appreciate the opportunity to

share this information and look forward to answering any questions you or the other
Members of the Committee may have.