



THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

JUN 4 2001

TO: Heads of Operating Divisions
Heads of Staff Divisions

FROM: The Secretary

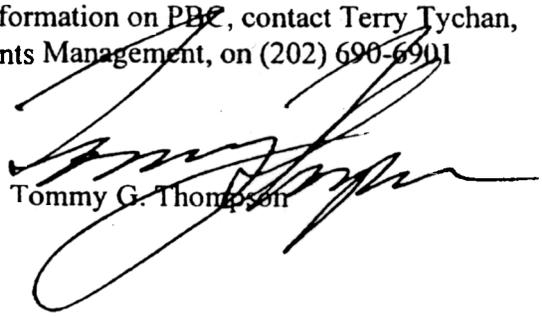
SUBJECT: Performance-Based Contracting Goals for the FY 2002 Budget

As part of its role in implementing initiatives of the new Administration, the Office of Management and Budget (OMB) has provided guidance to all executive agencies and departments on preparing performance plans for the FY 2002 budget. One critical aspect of the guidance relates to the goal of using Performance-Based Contracting (PBC) to award 20 percent of eligible service contracting dollars by FY 2002. Essentially, PBC describes contract requirements in terms of program results to be achieved, rather than specifying how contractors are to perform the work.

I endorse using PBC as a means to achieve program goals, strengthen contract performance, and reduce costs. Furthermore, I challenge you to stimulate the use of PBC to reach the 20 percent goal set forth on the President's behalf. While we have made progress to date, much more needs to be done. To accomplish this goal, I ask that a concerted, cooperative effort be made by you and your program managers, budget officials, contracting community, and information technology leadership to apply PBC techniques to your major service projects.

By July 31, 2001, please submit an implementation plan to the Assistant Secretary for Management and Budget. Your plan should describe how each major program office plans to meet this PBC goal - - including the optimum use of integrated project teams. We expect you and your program managers to budget the resources that you need to implement this critical management initiative. I will be monitoring the progress of our organizations in reaching the 20 percent goal.

The Office of the Assistant Secretary for Management and Budget has set up a web site on this topic (see www.ogam2000.com/acquisition/pbc.htm); and can provide training and other technical assistance as needed. If you need more information on PBC, contact Terry Tychan, Deputy Assistant Secretary for Acquisition and Grants Management, on (202) 690-6901


Tommy G. Thompson