

JUSTIFICATION AND APPROVAL  
FOR OTHER THAN FULL AND OPEN COMPETITION  
VA-14-0005250

1. Contracting Activity: Office of Acquisition Operations  
Strategic Acquisition Center (SAC)  
U.S. Department of Veterans Affairs  
10300 Spotsylvania Avenue, Suite 400  
Fredericksburg, VA 22408
  
2. Description of Action: The use of other than full and open competition to purchase term licenses for access to the College of American Pathologists (CAP) Laboratory Management Indexing Program (LMIP). The proposed action encompasses the negotiation and award of a firm fixed price contract to CAP.
  
3. Description of Supplies or Services: The VHA has a requirement for the purchase of term licenses for access to the CAP LMIP, which is, a fiscal management tool for productivity and financial benchmarking both within VA medical facility labs and with medical laboratories external to VA.

The contractor will use peer groups consisting of laboratories with similar services and functions and will as a minimum, assess the following areas of laboratory performance: Productivity - efficient utilization of personnel; Utilization - test ordering practices; Cost-effectiveness - efficient utilization of supplies, equipment and labor.

The cost of this contract for a base year plus 4 option years is approximately \$570,049.

4. Statutory Authority: The statutory authority permitting other than full and open competition is 41 U.S.C.3304(a)(1) as implemented by the Federal Acquisition Regulation (FAR) Subpart 6.302-1 entitled, "Only One Responsible Source and No Other Supplies or Services Will Satisfy Agency Requirements."

5. Rationale Supporting Use of Authority Cited Above:

The CAP LMIP is the only known source that is capable of providing the term licenses. Access to the LMIP tool is only available via term licenses. The CAP LMIP provides access to a vital resource that has the comprehensive ability to collect laboratory information on blood expense, consumable expense, equipment depreciation expense, equipment maintenance and repair expense, hospital inpatient days, hospital inpatient discharges, testing labor expense, testing paid hours, total labor expense, total laboratory paid hours, and total laboratory worked hours. Additionally the program uses a unit of measure to standardize test counts that eliminates billing, accounting, and interpretation variations when performing comparisons in areas of inpatient Standard Billable Tests (SBT), nonpatient SBTs, on-site SBTs, outpatient SBTs, referred SBTs,

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and referred SBTs expenses to maximize valid comparisons when accessing a laboratory's overall operations.

CAP LMIP uses the proprietary data processes such as CAP SBT to establish a common basis for counting tests among laboratories. Unlike other methods of test counting (relative value units [RVU] and unadjusted billable tests), the CAP standardized billable test eliminates billing, accounting, and interpretation variations across institutions. Many hospital-wide benchmarking tools do not define test counting methodology. The result is the laboratory submitting the higher test number could appear more productive, although that may not be the case. Because of this diversity in Current Procedural Terminology (CPT) code usage does not create "apple to apple" comparisons, the LMIP uses the SBT to insure that all laboratories count tests in a uniform manner. The SBT as a stable entity, provides management with a reliable tool to track laboratory operations over time.

The VHA has had access to the LMIP term licenses for, at least, the past five years and requires the continued use of term licenses to access the management program. The results of access to the program have been critical in monitoring and managing the overall health of the VHA laboratories. In the wake of recent media highlights of VHA inefficiencies of veteran appointment backlogs to other issues and concerns, access to this management assessment program is critical due to the comprehensive nature of the components, the ability to access reports, and track the health of VHA laboratories in comparison to historical information collected in the CAP LMIP during the previous period of performance. Due to the vast amount of data that has been accumulated over the life of this relationship with the CAP program, patterns of performance, utilization and staffing can be compared over time allowing retrospective analysis and corresponding changes then, in real time. The ubiquitous nature of the CAP LMIP program throughout the industry also allows comparisons to non-VA peers to be made if desired. Access to this resource fills a need that the VA does not have the internal capability of providing on its own. The VA holds the raw data and does not have the capability of analyzing it, to make use of it in the way this program is designed.

No other program was found in the marketplace that provides a comprehensive detailed program, such as the CAP LMIP, which covers all components associated with this program. In addition to not being compatible with the proprietary data processes of the CAP LMIP, any conversion to another less comprehensive data analysis program would require extensive data conversion of the historical data collected within the LMIP and a transition to another contractor would result in an enormous cost and would not offset the cost without severe disruption to the ongoing services and significant additional expenditure beyond what possible costs could be potentially be saved through competition.

6. Efforts Made to Solicit Potential Sources: The previous contract was conducted on a full and open basis and only 1 offer was received, and determined to be technically acceptable. No other companies were found at that time to offer the comprehensive abilities of the LMIP. For the current requirement, market research was conducted, to determine the current condition of the industry, no comparable benchmarking programs were found to have the capacity of comparative components that the LMIP tool provides. The benchmarking systems found in market research provide laboratory evaluation metrics to analyze and benchmark the internal laboratory performance, from productivity to quality, however do not offer lab peer to peer comparisons for overall laboratory health assessment and do not provide an analysis using as wide reaching comprehensive LMIP components.

In addition, an RFI was posted to [www.fbo.gov](http://www.fbo.gov) and no responses were received.

7. Actions to Increase Competition: The Government will continue to conduct market research to ascertain if there are changes in the market place that would enable future actions to be competed.

8. Market Research: During the Period from 5/12/2014 through 5/26/2014 market research was conducted using a variety of methods. Internet searches were conducted, Thomasnet.com was used, and GSA schedules were searched. During the market research, terms such as “laboratory benchmarking,” “medical laboratory benchmarking,” “clinical laboratory benchmarking” etc. were utilized in the various search engines. Several leaders in the clinical laboratory industry were consulted from major health plans to DoD sources. The findings of market research are as follows:

One organization found to do benchmarking is Chi Solutions. Attributes of the system are Uniform data validation to ensure consistent test counting, and expense and FTE allocation, utilization of proprietary Relative Value Unit (RVU) system, Test complexity indexing by CPT code for valid peer comparison, Peer group selection based upon an array of operating characteristics, Measurement of performance for individual laboratories or multiple laboratories within a system with internal and external peer ranking, drill-down benchmarks for individual laboratory sections, trending and drift analyses, summary reports that interpret our findings and performance, electronic data submission and access to reports. This system is often used as a supplement to Chi’s overall Laboratory Performance Consulting efforts as a snapshot in time to recommend performance improvement. Although Chi solutions offers benchmarking capabilities, their unit measure criteria is not compatible to the LMIP system, due to proprietary data processes.

Another organization found was Intertek, which offers laboratory benchmarking, consulting and evaluation studies. Intertek applies laboratory evaluation metrics to analyze and benchmark the internal laboratory performance, from productivity to quality. The components that are used for analysis are laboratory return on investment (ROI), laboratory unit costs, laboratory productivity and efficiency, laboratory quality and customer service, laboratory reliability, laboratory technology,

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resident in-house expertise, and potential for 3<sup>rd</sup> party testing work. Intertek does not provide as comprehensive analysis and the LMIP program that provides the laboratory peer-to-peer analysis of the productivity of personnel, laboratory policies and procedures, salary and other expenses, physician test utilization, and organizational benefits in addition to the productivity, utilization and cost-effectiveness performance. In addition, Intertek would not be able to utilize the LMIP proprietary data processes, to be able to continue to build on the past 20 years historical VHA laboratory benchmarking information collected with utilizing the LMIP tool.

In summary, no other program was found in the marketplace that can provide a service such as the CAP LMIP program.

In addition to not being compatible with the proprietary data processes of the CAP LMIP, any conversion to another less comprehensive data analysis program would require extensive data conversion of the historical data collected within the LMIP. Some of the associated costs of establishing a relationship with a new laboratory benchmarking system are migration costs of, both the Government and vendor, compiling historical data to provide the baseline for a start of new relationship with another less comprehensive data management system, management costs, hidden training costs of getting users familiar with a new system and being able to use the system to its full functionality for continuity with minimal lost or reduced productivity time, involved in a changeover to a different data management system.

Additionally, a Request for Information (RFI) was posted to Federal Business Opportunities on June 13, 2014 with a close date of June 20, 2014. No responses were received.

9. Fair and Reasonable Cost Determination: The Contracting Officer will ensure that the price for the procurement is fair and reasonable through the use of price analysis, historical data and other means as deemed necessary.

Based on this market research the Government's technical experts have determined that the College of American Pathologists is the only source that can meet the Government's requirements.

10. Technical and Requirements Certification (FAR 6.303-1(c)):

I certify that the supporting data under my cognizance, which are included in this justification, are accurate and complete to the best of my knowledge and belief.

Name: Robert A. Mann                      Date: July 23, 2014

Title: National Enforcement Officer Signature: \_\_\_\_\_

11. Contracting Officer Certification (FAR 6.303-2(b)(12))

I certify that this justification is accurate and complete to the best of my knowledge and belief. As this contract action does not exceed \$650,000, the certification below required by FAR 6.303-2(b)(12) serves as approval.

Name: Lori Smith                      Date: \_\_\_\_\_

Title: Contracting Officer      Signature: \_\_\_\_\_