

9/11/14

2014-519-NC018 - Omnicell Software  
(w/g)  
KAW**LIMITED SOURCES JUSTIFICATION****ORDER >\$3,000****FAR PART 8.405-6****2237 Transaction # or Vista Equipment Transaction #: 678-14-2-071-0119**

This acquisition is conducted under the authority of the Multiple Award Schedule Program. The material or service listed in par. 3 below is sole source, therefore, consideration of the number of contractors required by FAR Subpart 8.4 – Federal Supply Schedules, is precluded for the reasons indicated below.

**Restricted to the following source:** Provide original manufacturer's name for material or contractor's name for service. (If a sole source manufacturer distributes via dealers, ALSO provide dealer information.)

Manufacturer/Contractor: Omnicell IncManufacturer/Contractor POC & phone number: Brian O'Neill, 480-310-1830Mfr/Contractor Address: 1201 Charleston Road, Mountain View, CA 94043-1337Dealer/Rep address/phone number: 480-310-1830

☒ The requested material or service represents the minimum requirements of the Government.

**(1) AGENCY AND CONTRACTING ACTIVITY:**Department of Veterans AffairsNetwork Contracting Office (NCO) 184135 S. Power Road, STE #103Mesa, AZ 85212**VISN:**18**(2) NATURE AND/OR DESCRIPTION OF ACTION BEING APPROVED:**

This justification for Limited Sources comes as a result of the Southern Arizona VA Health Care System (SAVAHCS) needing to purchase a complete software upgrade for existing Omnicell automated dispensing machines. This purchase includes software and hardware installation, upgrade, testing and coordination to ensure that all 270 existing cabinets (only 148 hard drives/PC boxes) are working with the new software and hardware. Automated dispensing equipment advances using bar-code technology and automated inventory tracking systems streamline the VA's ability to get the right products to right area at the right time. The current operating system for the Omnicell units will no longer be supported by the current contractor after Jan 2016. This will render the entire system vulnerable without the ability of repair. SAVAHCS currently has 270 Omnicell Point of Use (POU) cabinets in operation with 5 expansion projects in progress. After this Limited Sources Justification is approved, a quote will be solicited from Omnicell, Inc. and after a fair and reasonable price is determined the order will be awarded directly to Omnicell, Inc. through their VA FSS contract V797D-30111, which does not expire until February 28, 2018.

**(3) (a) A DESCRIPTION OF THE SUPPLIES OR SERVICES REQUIRED TO MEET THE AGENCY'S NEED:**

The contractor shall upgrade the existing Omnicell cabinets' operating system (software) and PC boxes (hardware) to Microsoft 7 and Omnicell Generation 4 software. These automated inventory dispensers are

Point of Use (POU) cabinets that are used to distribute medical/surgical supplies and pharmacy items. These POU cabinets allow nursing staff to have the needed supplies for patient treatments virtually at their fingertips. The POU cabinets also transmit perpetual inventory data to the Generic Inventory Package (GIP) as required by VHA Handbook 1761.02. This project encompasses the entirety of SAVAHCS, including CBOCs, which extends over eight Arizona counties (sites include three locations in Tucson, along with Safford, Sierra Vista, Green Valley, Casa Grande and Yuma). Although there are a total of 270 cabinets, there are only 148 hard drives that need the upgrade.

(b) ESTIMATED DOLLAR VALUE: [REDACTED]

(c) REQUIRED DELIVERY DATE: 90 days after receipt of order

**(4) IDENTIFICATION OF THE JUSTIFICATION RATIONALE (SEE FAR 8.405-6), AND IF APPLICABLE, A DEMONSTRATION OF THE PROPOSED CONTRACTOR'S UNIQUE QUALIFICATIONS TO PROVIDE THE REQUIRED SUPPLY OR SERVICE.**

☐ Specific characteristics of the material or service that limit the availability to a sole source (unique features, function of the item, etc.). Describe in detail why only this suggested source can furnish the requirements to the exclusion of other sources.

☒ A patent, copyright or proprietary data limits competition. The proprietary data is:

The Omnicell Generation 4 software is proprietary to Omnicell, Inc. The Omnicell POU system is a proprietary system and will only operate with other Omnicell, Inc. hardware, parts, and software. There is no other suitable software or hardware alternative that can be installed that will function with the Omnicell products currently installed and in use in the SAVAHCS. In addition, only Omnicell certified Technical Service Experts can complete such upgrades without voiding warranties and service agreements.

☐ These are "direct replacements" parts/components for existing equipment.

☒ The material/service must be compatible in all aspects (form, fit and function) with existing systems presently installed/performing. Describe the equipment/function you have now and how the new item/service must coordinate, connect, or interface with the existing system.

SAVAHCS currently has 270 Omnicell Point of Use (POU) cabinets in operation with 5 expansion projects in progress. SAVAHCS has determined that it is in the best interest of the Government to continue to own and operate the installed equipment (see paragraph 7 herein for more details). There is no other suitable software or hardware alternative that can be installed that will function with the Omnicell products currently installed and in use in the SAVAHCS. The current operating system (Windows XP) in the Omnicell POU cabinets has become obsolete and will not be supported by the contractor after January 2016. If these are not upgraded, the facility will lose the ability to have Omnicell perform service calls for preventative maintenance issues or repairs (the current preventative maintenance Task Order VA258-14-J-1960 has a total value of [REDACTED]). Only Omnicell, Inc. has the Generation 4 upgrade and only Omnicell, Inc. certified Technical Service Experts can complete such an upgrade. No other firm with a Federal Supply Schedule (FSS) or the open market could complete this required upgrade to the current system.

☐ The new work is a logical follow-on to an original Federal Supply Schedule order provided that the original order was placed in accordance with the applicable Federal Supply Schedule ordering procedures. The

original order must not have been previously issued under sole source or limited source procedures.

☐ An urgent and compelling need exists, and following the ordering procedures would result in unacceptable delays.

**(5) DESCRIBE WHY YOU BELIEVE THE ORDER REPRESENTS THE BEST VALUE CONSISTENT WITH FAR 8.4 TO AID THE CONTRACTING OFFICER IN MAKING THIS BEST VALUE DETERMINATION:**

An Independent Government Estimate (IGE) has been provided by the VA technical representatives after performing their own market research and researching pricing information for similar equipment. The prices on the current VA FSS contract number V797D-30111 (effective March 1, 2013 through Feb. 28, 2018) also contributed to the IGE. Due to the fact that 1) the General Services Administration (GSA) and the VA National Acquisition Center (NAC) have already negotiated the prices and determined the prices of supplies under schedule contracts to be fair and reasonable (FAR 8.404), 2) the IGE from the technical representatives shows pricing that is no greater than the VA NAC pricing, 3) further price discounts will be sought from the contractor, and 4) the Contracting Officer for this acquisition will make a separate Fair and Reasonable Price Determination; the estimated price is expected to be the best value to the Government.

**(6) DESCRIBE THE MARKET RESEARCH CONDUCTED AMONG SCHEDULE HOLDERS AND THE RESULTS OR A STATEMENT OF THE REASON MARKET RESEARCH WAS NOT CONDUCTED:**

The following are the sources and findings of the market research conducted:

- a. Historical acquisition information (review of recent market research results for similar or identical supplies/services). There is currently a preventative maintenance Task Order (VA258-14-J-1960) with Omnicell, Inc. in place at SAVAHCS for these same Omnicell units, in the amount of [REDACTED] including four option years and it is currently in the first option year term. If the Omnicell POU system were replaced in order to meet competition requirements for this software and PC box upgrade, the current preventative maintenance Task Order would need to be terminated and a new contract would need to be completed for the new system.
- b. The requester and other Government representatives completed market research and provided an Independent Government Estimate (IGE). The IGE indicated a quantity of 148 Omnicell software and PC box upgrades for a total value of [REDACTED].
- c. A Sources Sought notice (VA258-14-I-0508) was posted on GSA eBuy from May 13<sup>th</sup>, 2014 to May 16<sup>th</sup>, 2014 and received only one response from Omnicell, Inc. Also, in accordance with FAR 8.405-6(a)(2)(i)(A) and FAR 5.301(a)(2), a sources sought notice was posted on Federal Business Opportunities (FBO) on July 22, 2014 and closed on August 6, 2014. Only one response was received, from Carefusion, who requested this be solicited to full and open competition on the VA NAC Schedule so they could submit a quote; however, it has been determined that Carefusion would not be able to meet the requirements of this upgrade because it would not be in the Government's best interest to replace the entire Point of Use (POU) system in order to provide competition.
- d. Reviewing catalogs and other generally available product literature, specifically the GSA Advantage! Online catalog. GSA Advantage! searches showed that the suggested vendor does have a current VA FSS contract, and this specific equipment is available under VA FSS contract # V797D-30111. These searches also showed that no other VA FSS contractor can offer this required upgrade.

This acquisition cannot be set aside for Small Businesses because there is only one source that can provide the software and PC box upgrade and it is a Large Business. This will be solicited to the only source that can meet the requirements, which is Omnicell, Inc. An FSS Order should be awarded to Omnicell, Inc. as long as a fair and reasonable price can be reached.

**(7) ANY OTHER FACTS SUPPORTING THE JUSTIFICATION:**

In accordance with the priorities for use of Government supply sources in the Veterans Affairs Acquisition Regulations (VAAR) 808.002, market research determined that these products and services are not available from (1) agency inventories, or (2) a national committed use contract awarded by the VA National Acquisition Center (NAC). The next order of priority, (3) a mandatory the Federal Supply Schedule (FSS) contract awarded by the NAC in Federal Supply Classification (FSC) groups 65 and 66 is applicable to this procurement. These requirements can be met under a mandatory FSS contract for medical instruments; therefore, this will be the procurement strategy for these medical requirements.

Although competitors on the same VA NAC Schedule can provide similar POU systems, Tucson already has approximately \$4 Million worth of infrastructure (including hardware, cabinets and servers) in place. To replace the entire infrastructure already in place would cause a great duplication of costs from the purchase of the equipment and the labor hours required to switch out the systems. A complete system replacement would cause unnecessary and burdensome interruptions and potential delays to patient care. Additionally, a POU system replacement would require the effort and costs to re-inventory POU units, reprogram inventory systems, provide temporary inventory storage, retrain over 1,000 clinical and support staff, purchase and relabel new internal supply bins, install IT hardware for connectivity to new servers, and pay for the travel of Logistics staff between CBOCs in the SAVAHCS. A new system would also have to connect with the current Pharmaceutical Medication Carousel and interface with the current Generic Inventory Package (GIP), which would also require the same considerations for the Pharmaceutical operations. It is not in the Government's best interest to replace the entire POU system at the SAVAHCS.

The following is the only potential offeror that could meet the SAVAHCS requirement to upgrade the software and PC boxes for its existing POU system:

OMNICELL, INC.  
1201 CHARLESTON RD  
MOUNTAIN VIEW, CA 94043-1337  
DUNS: 805412665  
NAICS: 511210  
FSC: 7030  
Small Business: No  
Veteran: No  
GSA SIN: 65 II A  
GSA Category: A-92  
FSS Contract No.: V797D-30111 (expires Feb. 28, 2018)

(8) A STATEMENT OF THE ACTIONS, IF ANY, THE AGENCY MAY TAKE TO REMOVE OR OVERCOME ANY BARRIERS THAT LED TO THE RESTRICTED CONSIDERATION BEFORE ANY SUBSEQUENT ACQUISITION FOR THE SUPPLIES OR SERVICES IS MADE:

A Sources Sought notice (VA258-14-I-0508) was posted on GSA eBuy from May 13<sup>th</sup> 2014 to May 16<sup>th</sup> 2014 and received only one response from Omnicell, Inc. Also, in accordance with FAR 8.405-6(a)(2)(i)(A) and FAR 5.301(a)(2), a sources sought notice was posted on Federal Business Opportunities (FBO) on July 22, 2014 and closed on August 6, 2014. Only one response was received, from Carefusion, who requested this be solicited to full and open competition on the VA NAC Schedule so they could submit a quote to replace the entire Infrastructure. However, it has been determined that Carefusion would not be able to meet the requirements of this software and PC box upgrade and it would not be in the Government's best interest to replace the entire Point of Use (POU) system in order to provide competition. No other action can be taken to remove or overcome barriers that restrict competition.

(9) REQUIREMENTS CERTIFICATION: I certify that the requirement outlined in this justification is a Bona Fide Need of the Department of Veterans Affairs and that the supporting data under my cognizance, which are included in the justification, are accurate and complete to the best of my knowledge. I understand that processing of this limited sources justification restricts consideration of Federal Supply Schedule contractors to fewer than the number required by FAR Subpart 8.4. (This signature is the requestor's supervisor, fund control point official, chief of service or someone with responsibility and accountability.)

Charles J. Millitti 8/21/14  
SIGNATURE DATE  
Charles J. Millitti Chief Logistics Officer Resource Management Service Line  
NAME TITLE SERVICE LINE/SECTION  
Southern Arizona VA Health Care System  
FACILITY

(10) APPROVALS IN ACCORDANCE WITH FAR 8.405-6(d):

a. CONTRACTING OFFICER'S CERTIFICATION (required): I certify that the foregoing justification is accurate and complete to the best of my knowledge and belief.

Joel Fada 8/25/2014  
CONTRACTING OFFICER'S SIGNATURE DATE  
Joel Fada, Branch Chief, Supply Team 2 Network Contract Office (NCO) 18  
NAME AND TITLE FACILITY

b. DoC/PCM/DESIGNEE: I certify that the foregoing justification is accurate and complete to the best of my knowledge and belief.

Sabrina J. Smith 8/14/2014  
DATE  
Sabrina J. Smith  
Director of Contracting, Network Contracting Office (NCO) 18

**HIGHER LEVEL APPROVAL (Required For orders over \$650,000):**

c. SAO: I certify the justification meets requirements for restricting consideration of Federal Supply Schedule contractors to fewer than the number required by FAR Subpart 8.4.

*for* Delia A. Adams

Delia A. Adams, MBA, CPCM  
Director, SAO West

9/10/2014  
DATE

d. VHA HCA REVIEW AND APPROVAL (over \$650,000 to \$12.5 million): I have reviewed the foregoing justification and find it to be complete and accurate to the best of my knowledge and belief and approve for restricting consideration of the Federal Supply Schedule contractors to fewer than the number required by FAR Subpart 8.4

Norbert S. Doyle

Approval/Disapproval

VHA Head of Contracting Activity Signature

Norbert S. Doyle, Chief of Procurement & Logistics Office

9/22/14  
DATE