



**DEPARTMENT OF VETERANS AFFAIRS
Denver Acquisition & Logistics Center
555 Corporate Circle
Golden, CO 80401**

**JUSTIFICATION AND APPROVAL
FOR OTHER THAN FULL AND OPEN COMPETITION
THIRD PARTY ADMINISTRATOR**

Upon the basis of the following, I as the Acting Senior Procurement Executive (SPE), hereby approve two sole source modifications to the existing Patient Centered Community Care (PC3) contracts pursuant to the authority of 41 U.S.C. 3304(a)(2), Use of Noncompetitive Procedures.

1. Contracting Activity:

The Denver Acquisition and Logistic Center (DALC) is the contracting activity responsible for this procurement on behalf of the Veterans Health Administration's (VHA) Chief Business Office (CBO).

2. Description of the Action Being Processed:

The DALC is seeking approval to modify contracts VA791-13-D-0053 (with Health Net Federal Services, LLC) and VA791-13-D-0054 (with TriWest Healthcare Alliance Corporation) to add Third Party Administrator (TPA) services. The modifications will add administrative requirements and increase the value of each contract by approximately [REDACTED] of the estimated contract values. A concern exists that elements of the requirements to be added by these modifications may be outside the scope of the original awards, necessitating this justification.

3. Background:

The VHA continues to spend over \$4B per year purchasing care from the community through fee for service processes. Due to the increasing Veteran need for specialty care this trend is expected to continue. In December 2012, VHA CBO implemented and centrally administers contracts, known as Patient Centered Community Care (PC3) providing supported healthcare services, in all Veteran Integrated Service Networks (VISNs). These contracts provide Veterans coordinated and timely access to standardized high quality care through comprehensive networks of non-VA providers should VA Medical Centers (VAMCs) not be able to provide the care.

Patient Centered Community Care (PCCC) provides centrally supported healthcare contracts which include primary care, all medical and surgical services along with skilled home health. The healthcare provided is delivered in a manner consistent with the needs of the patients and standards of quality delivered to the contractor's non-VA patients. The contractors shall adhere to all federal and state laws and regulations in effect during the term of these contracts.

In addition to establishing VA networks of providers to deliver healthcare to Veterans the PC3 contracts also provide a vital administrative function. The PC3 contractors currently match the Veterans with a qualified provider closest to their home to address their individual health concerns. The PC3 contractors schedule the Veterans' appointments with the providers, ensure all applicable medical documentation is sent to the providers, gather medical documentation resulting from the appointments and provide it to the VA, while also receiving the providers' claim(s)/invoice(s), paying those claim(s)/invoice(s), and submitting one claim/invoice to the VA. In addition, each PC3 contractor has a support call center for Veterans with questions, complaints, or concerns.

In May of 2014 VA came under scrutiny for excessive patient waitlists issues happening at various VAMC's. Based on issues providing patients timely care Congress passed into law the Veterans Access, Choice, and Accountability Act of 2014 (VACAA), Public Law 113-146, enacted August 7, 2014.

4. Description of the Services:

VHA has a need for administrative and professional healthcare services to implement the requirements under Section 101 of the Veterans Access, Choice, and Accountability Act of 2014 (VACAA), Public Law 113-146, enacted August 7, 2014. These services will include production and distribution of VA Choice cards, the implementation of a call center, coordination of benefits, provision of healthcare, quality management, claims processing, reporting, auditing, funds management, education and training, integration, analysis and testing, information technology security and privacy, clinical documentation, configuration management, communications, implementation, and utilization review. The contractors will be required to establish a call center that will be capable of providing information relating to VACAA to Veterans by November 5, 2014. The total independent government estimate of the TPA requirement is [REDACTED]

VACAA contains a sunset provision and is, therefore, an authority of limited duration. VA requires TPA services for a period of up to three years or when the Secretary has exhausted all amounts provided in the VACAA fund, whichever comes first. The modifications will include up to three one-year periods.

Many of the services required under the VACAA are currently being performed under the PC3 contracts. Few additions will be necessary to the PC3 contracts to meet all requirements; these include the VA choice card production, distribution, and coordination of benefits. All other TPA services noted above are already functions of the PC3 contract/scope and therefore only a few additional requirements will need to be added to the PC3 contracts in order to comply with VACAA. In addition to the administrative requirements VACAA will require the addition of a separate pricing mechanism for the provision of healthcare services to allow for billing of secondary insurance. This requirement does not change the requirements to provide a network of healthcare providers only to allow for a separate pricing mechanism to allow billing of Other Health Insurance (OHI) as required by VACAA.

5. Statutory Authority:

The statutory authority that permits this action is 41 U.S.C 3304(a)(2) as implemented by FAR 6.302-2, Unusual and Compelling Urgency.

6. Justification for Use of Authority:

VACAA requires a system to be in place to fulfill the requirements set forth within the bill, "not later than 90 days after the date of the enactment of this act." This bill was signed into law on August 7, 2014. Typically, a procurement of this magnitude would take one year to complete on an aggressive procurement timeline. However, due to the timeline of implementation set forth within this bill, a one year procurement timeline is not possible. The strict timelines established in VACAA severely limit the ability to issue a competitive solicitation for the required services. There is insufficient time to solicit, evaluate, negotiate, and award competitive contracts.

VA has two existing contracts for the provision of healthcare and administrative services when VA cannot readily provide the required services. Health Net Federal Services, LLC (Health Net) and TriWest Healthcare Alliance Corporation (TriWest) were competitively awarded indefinite-delivery indefinite quantity (IDIQ) contracts for PC3. Health Net and TriWest developed regional networks in order to provide VA-required healthcare services. The current networks established under the PC3 IDIQs are the only vehicles that can be used to fulfill the VA-required services by November 5, 2014. Services including, training, call center administration, healthcare delivery, reporting, and claims processing are already being provided under the PC3 contracts. The minor additions to the performance work statement are necessary in order to fully implement VACAA. The additional requirements anticipated here would add less than 1% overall value to the previously awarded IDIQs.

The strict timelines established in VACAA severely limit the ability to issue a competitive solicitation for the required services. First, VACAA was enacted to address a serious issue within VA with respect to Veterans not receiving care in a timely manner and being placed on waiting lists that might negatively impact the Veterans' health. The law requires VA to promulgate regulations for implementation within 90 days of enactment, which was August 7, 2014. As referenced above, the law contains a sunset provision and the authority is ostensibly limited to not more than three years. All of these factors contribute to a need to implement on a hyper-accelerated basis. Moreover, VA has tentatively identified approximately one million Veterans nationwide that are likely eligible to receive healthcare pursuant to VACAA. There is simply insufficient time to solicit, evaluate,

negotiate, and award competitive contracts and then allow for some form of ramp up time for a new contractor. Market research conducted has revealed only Health Net and TriWest, large, established network healthcare providers, are capable of providing the required services in the timelines established in VACAA.

7. Efforts to Increase Competition:

An Industry Day event was held on September 17, 2014, with participation from 57 companies. The Government used this opportunity to learn industry capabilities and to obtain input on successful deployment of the requirement. Based on feedback received, a sole source action to the current PC3 contracts is the only reasonable solution to provide the required services within the timeframe established. The VA will use the information received during meetings with industry to refine future competitive actions.

8. Price Reasonableness:

The Contracting Officer will determine price reasonableness by comparing pricing received to current pricing under the PC3 contracts, which were competitively awarded, for similar services. Pricing for healthcare services are commonly established based on Medicare reimbursement rates. These contract modifications will request pricing for healthcare services based on this common commercial practice. This scenario will result in fair and reasonable prices for all required healthcare services. Additionally, the VACAA places a limit on reimbursement for medical services equivalent to the rates paid under Medicare with the only exception being rates paid for services in "highly rural" areas.

9. Market Research:

A Request for Information (RFI) was posted on FedBizOpps.Gov (FBO) on September 12, 2014, which included an extensive overview of the requirements. Fifty-seven interested contractors attended the industry day on September 17th and several of them participated in one-on-one sessions after the general assembly. Many vendors submitted responses to the questions posed by the Government in the RFI. Based on all of these responses, vendors were consistent in their concerns that the schedule timeline was too short to afford an accurate and complete definition of requirements, time for considering design options, and accurate time for procuring services and implementing the best approach.

A draft Performance Work Statement (PWS) was posted to FBO on September 23, 2014 for vendor review. Given the November 5, 2014 implementation date required by VACAA (90 days after the signing of the law), additional limited market research was conducted to review historical information of known qualified sources of supply, existence of potential third party administrators and established provider networks to support implementation of VACAA. Information was received from vendors, who currently have established provider networks and are operating under Government contracts. They all expressed their concern for the short procurement timeline and the short implementation period for the distribution of cards and standing up the call center to be educated on the law and VA requirements in order to respond to calls from Veterans beginning November 5, 2014. In order to meet the stringent timelines included in the requirement, industry feedback offered the following recommendations: flexibility on the timeline, relaxation of VA standards to instead incorporate industry standards for such things as reporting and credentialing, and relaxation of some PWS requirements.

Based on the responses from the RFI and the industry day event, only Health Net and TriWest have demonstrated they have the capability to provide the required services by November 5, 2014. The market research information gathered will be used for planning future competitive acquisitions.

10. Other Facts that Support the Action:

The activities associated with the development of healthcare networks are challenging on multiple fronts. First, not all providers are willing to provide care to Veterans, as VA standards are not always in line with industry standards which providers are accustomed to operating under. Second, some providers do not accept Medicare rates and requirements. Building these networks to the maturity VA requires can be a lengthy and difficult process. For example, it took approximately six months to accomplish under the PC3 contracts and TriCare contracts allow ten month implementation periods to build their networks.

The required screening of medical providers alone would require significant planning activities and time that is not available under the newly established VACAA. This non-competitive action is the only feasible manner to comply with VACAA within the timelines established under the law. Failure to modify the current contracts will result in Veterans continuing to face unnecessarily long waits for required healthcare services and ultimately significantly harm Veterans.

11. Interested Parties:

The list of contractors from the industry day will be maintained in the contract file.

12. Actions Taken to Remove Barriers to Competition:

Future acquisitions will use the information provided from the industry day event and the RFI to ensure follow-on procurements are conducted using competitive procedures.

13. 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 and belief.

14. Approvals in accordance with FAR 6.304 and VAAR 806.304-1

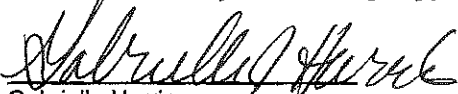
Contracting Officer's Certification (required): I certify that the foregoing justification is accurate and complete to the best of my knowledge and belief.



Mara Wild
Contracting Officer
Denver Acquisition & Logistics Center (DALC)

9/30/14
Date

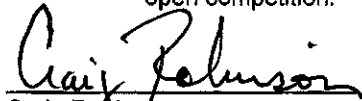
a. I certify that the foregoing justification is accurate and complete to the best of my knowledge and belief.



Gabrielle Harris
Supervisory Contracting Officer
Denver Acquisition & Logistics Center (DALC)

9/30/14
Date

b. NAC HCA Review and Approval: I have reviewed the foregoing justification and find it to be complete and accurate to the best of my knowledge and belief and recommend approval for other than full and open competition.



Craig Robinson
Associate Deputy Assistant Secretary
for National Healthcare Acquisition
Head of Contracting Authority

10/01/14
Date

c. Competition Advocate: I have reviewed the foregoing justification and find it to be complete and accurate to the best of my knowledge and belief and recommend approval for other than full and open competition.

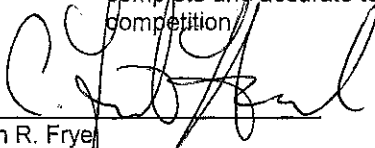


C. Ford Heard
Associate Deputy Assistant Secretary

10/1/14
Date

for Acquisition Systems and Oversight
VA Competition Advocate

d. VA Senior Procurement Executive Approval: 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 other than full and open competition.



Jan R. Frye

Deputy Assistant Secretary for Acquisition and Logistics
Senior Procurement Executive (SPE)
Department of Veterans Affairs

10/1/2014

Date