

**Department of Veterans Affairs  
Office of Acquisition and Logistics  
National Acquisition Center, National Contract Service  
Hines, Illinois**

Justification for Other than Full and Open Competition

This document constitutes justification and approval for other than full and open competition for the acquisition described herein, under the authority of FAR 6.302-1 "Only one responsible source and no other supplies or services will satisfy agency requirements." It is executed on behalf of the Department of Veterans Affairs, Veterans Health Administration, and National Contract Service, National Acquisition Center (NAC) of VA's Office of Acquisition and Logistics.

**1. Nature and/or description of the action being provided.**

This sole-source procurement is needed to provide VHA a short-term solution to continue the Medical Surgical Prime Vendor (MSPV) contract for seven VHA facilities in VISN 21. This short-term solution is necessary to ensure availability and consistency of medical/surgical product usage and to obtain volume-based committed use pricing until such time as national long term contract is awarded. The MSPV provides for managing customer inventories, ensuring the timely delivery of medical and surgical supplies to VHA in a more efficient and effective manner than other conventional ordering methods, and administering electronic commerce systems in support of the program.

The intent of the proposed sole source contract is only to bridge the gap until a fully competitive long term contract can be put into place. The next generation MSPV contract is in the development and review process. Conversion to a new MSPV contractor will require the new contractor to become intimately familiar with the requirements histories of supported VHA healthcare facilities in VISN 21. The contractor will be required to become familiar with VHA systems necessary to transmit and receive supply chain data, modify or create systems to meet these requirements including analyzing facility material demand data, ordering initial stocks from VHA specified sources and within defined sourcing parameters, positioning these stocks and developing a distribution system to meet VHA responsiveness requirements. In addition, VHA personnel will need to be educated on the new MSPV's processes and systems, and VHA files annotated with appropriate changes. Where applicable, value added services would need to be converted to the new vendor. At a minimum these actions would require a creation of a complex implementation plan that would take 120 days or more to accomplish.

Award of this sole-source contract will provide continuous delivery of medical and surgical supplies to VHA facilities ensuring that quality direct patient care is provided to our Veterans.

A bridge contract must be in place that is capable of providing current services, value added services and standardized medical surgical supplies. Direct patient care would be jeopardized if the capability provided via the MSPV were interrupted as VHA's supply chain would be unable to provide timely delivery of medical and surgical supplies.

The proposed contracting action is for an Indefinite-Delivery, Requirements Type contract for the period from April 20, 2015 to October 19, 2015 and an option for an additional six months (October 20, 2015 to April 19, 2016). The estimated value of the contract including the option period is approximately (\$993,016.16) per month.

Professional Hospital Supply, Inc.

## **2. Description of the supplies/services required to meet the Agency's needs.**

The MSPV contract covers seven medical centers and/or related facilities throughout VISN 21; the price of the medical/surgical supplies furnished under this contract is the government contracted price plus an added percentage for a distribution fee that is negotiated between the current vendors and the NAC.

The purpose of the VA MSPV contract is to provide VHA facilities with an efficient method of obtaining medical surgical supplies identified through VA and other Federal government sources. The MSPV allows facilities to obtain from a single source a wide variety of medical and surgical supplies. The use of this single source consolidates and greatly simplifies all aspects of the supply chain process to include ordering, receiving, invoicing, reconciling, payment, etc. In addition, most MSPV orders are created through the ordering officer process which is not only vastly more efficient than going through the normal contracting process; it also relieves Network Contracting Offices from performing this work. Without current MSPV capability Network Contracting Offices could not meet the demand for product required by VHA health care professional to support both scheduled/future outpatient appointments. Nationwide there is an estimated 86.4 million outpatient visits per year, VISN 21 has seven VHA Facilities scheduling outpatient visits; if critical medical surgical supplies were not readily available, direct patient appointments would be jeopardized and could result in cancelled and/or delayed appointments.

The MSPV contractor is required to maintain adequate stock and distribute all medical/surgical supplies that are used at VHA facilities through their supported area. These items are sold under government contracts, including Federal Supply Schedules (FSS), VA National contracts, Basic Ordering Agreements (BOAs), and other VA approved government procurement vehicles.

The current contract is set up on a regional basis in that a specific contractor has responsibility over a specific region or regions. In addition, this contract must start performance on April 20, 2015 to prevent a potentially catastrophic disruption in VHA clinical operations. Retention of Professional Hospital Supply, Inc. is the safest way to ensure operations continue without an adverse effect on the medical-surgical supply chain that provides product for direct patient care.

## **3. Identification of the statutory authority permitting other than full and open competition.**

The statutory authority permitting other than full and open competition is 41 U.S.C. 253 (c) (1) and FAR 6.302-1, which authorizes, under certain conditions, contracting without providing for full and open competition when the agency's need for the supplies or services can be provided from only one responsible source and no other supplies or services will satisfy agency requirements.

## **4. Demonstration that the proposed contractor's unique qualifications or the nature of the acquisition requires use of the authority cited.**

Due to the time and expense required to adjust to a different MSPV, there are several compelling reasons to sole source to Professional Hospital Supply, Inc. who is currently providing Medical/Surgical Prime Vendor (MSPV) services to VHA facilities in VISN 21; the current MSPV contract that will expire on April 19, 2015 until a national contract is awarded. Medical surgical supplies are critical to patient care and VHA medical centers and/or related facilities cannot operate without them. Professional Hospital

## Professional Hospital Supply, Inc.

Supply, Inc. is the only vendor with the resources capable of providing seamless, uninterrupted service that can meet the government's system-wide requirements; principally to ensure uninterrupted distribution of medical surgical supplies without compromising direct patient care to seven VHA medical centers and/or related facilities.

The Government currently has over 410,000 medical surgical line items authorized for the MSPV distribution through Professional Hospital Supply, Inc. A contractor not currently doing business with VA on the current contract would not have government prices loaded in their system and may not have business agreements with manufactures and vendors doing business with the government. The MSPV contractors are required to load all contract prices provided by the VA and have an established process to account for daily contract actions including price changes, product additions/deletions, contract extensions, and contract expirations. Additionally, a new contractor would have to establish purchase and reimbursement agreements with each of the government's contracted manufacturers to ensure that MSPV customers receive the government contracted prices. Without an adequate transition period for the government to switch to a different MSPV catalog there is the risk that unavailability of products which could cause critical delays in patient care and patient safety in the seven medical centers and/or related facilities.

Currently Professional Hospital Supply, Inc. provides VHA Medical Centers with a Professional Hospital Supply, Inc. representative who makes on site visits and is expected to support all MSPV ordering processes including, identifying mandatory usage data items to achieve contractual fill rates; review reports; problem resolution of Core/Non-Core backorders; updating pricing and federal contract information; research and coordination of substitutes; web-based ordering etc. The loss of this assistance would have a very negative effect in supply chain processes this service would be very costly to duplicate internally.

The VHA logistics staff in VISN 21 would need to update the master item file to covert both pricing and vendor numbers for a new MSPV. There are approximately 30 logistics employees'; item managers, supply analyst, ordering officers and logistics managers at the seven VHA facilities supported by Professional Hospital Supply, Inc.; the cost of retraining these personnel would be approximately \$1500.00 per hour, not to mention the time taken away in supporting direct patient care efforts. The training of this many employees is usually required to be done within 60 days in a long term national contract, which is impractical for a short-term period before a new national contract is awarded. The long term national contract solicitation being developed will have a requirement for a transition and training plan to avoid mistakes and ensure patient safety.

Professional Hospital Supply, Inc. is one of the two current MSPV providers that have been authorized to ship product to VHA facilities in low unit of measure (LUM). The current contract has specific terms and conditions for a Prime Vendor to ship LUM, and requires that the Prime Vendor maintain a clean/sterile storage area physically separated from the rest of the distribution center. The clean/sterile storage area has stringent guidelines that cover cleanliness, temperature controls, positive air flow requirements and cross-contamination processes in both storage and shipping. In order for these requirements to be met Professional Hospital Supply, Inc. agreed to invest in resources required to construct a VHA approved clean/sterile storage area in their distribution center. Duplication of this requirement would not be a financially responsible decision for a Vendor providing a short term contract.

Furthermore, VISN 21 VHA facilities are set up both in staff and space to accommodate LUM shipments which are received and placed directly in the facility clean/sterile storage areas for immediate use by medical staff. Having to receive stock in bulk and then breaking it down to LUM for distribution would

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require; VISN 21 to invest hundreds of thousands of dollars to construct space for break out rooms, hire additional staff, and provide training to properly manage the bulk receipt process.

Professional Hospital Supply, Inc. ordering entities purchase approximately (\$993,016.16) of product per month which represents over (2020) core line items and additional contracted items. These items must be delivered to seven VHA medical centers and/or related facilities up to seven days a week.

Professional Hospital Supply, Inc. has dedicated warehouses, equipment, carriers, and staff to ensure timely delivery to their VHA MSPV customers. Professional Hospital Supply, Inc. MSPV specific distribution centers have appropriated approximately (\$11,916,193.95) in yearly inventory to meet product inventory levels required for distribution, retaining Professional Hospital Supply, Inc. is the safest way to ensure operations continue without an adverse effect on the medical-surgical supply chain that provides product for direct patient care.

The tasks listed above not only require time and money but also a fair number of skilled personnel to set up accounts, train customers, negotiate purchase agreements with product suppliers, forecast inventory, order and receive inventory and adjust delivery schedules. Historically these actions are allowed in a 120 day implementation period. The lead time to award this contract is insufficient to allow a new vendor four months to build their VHA support infrastructure. The probability is very low that a new vendor would be able to successfully build these processes and relationships by April 19, 2015, and the likelihood of tremendous disruption and confusion in the field because they failed would be great.

Additionally, the startup cost for a new contractor to implement a new distribution system to support VHA MSPV needs is significant and they would be unlikely to do so with no guarantee of a long term business commitment. Furthermore, setting up a short term contract with anyone other than current vendors would result in changing contractors twice. Engaging in these complex transaction activities in a relatively short period of time is not cost effective to VHA or any potential offeror. This requires cash investment, warehouse space and additional personnel. It would be challenging for a new vendor to make this financial commitment for a contract projected to last six months and no more than twelve months.

For the expressed reasons herein, the government's needs are best served by a short term sole-source contract with Professional Hospital Supply, Inc. to support the MPSV program. Professional Hospital Supply, Inc. is the only contractor capable of fulfilling the government's short-term requirements without unacceptable disruption to operations and significant potential risks to patient care and patient safety. This contract will ensure continuous delivery of medical and surgical supplies to participating medical facilities.

**5. Description of the efforts made to ensure that offers are solicited from as many potential sources as is practicable, including whether a notice was or will be publicized as required by Subpart 5.2 and, if not, which exception under 5.202 applies.**

In accordance with FAR Part 6, the contracting officer will post the approved Sole Source Justification and summary of the MSPV contract at Federal Business Opportunities ([www.fbo.gov](http://www.fbo.gov)) for informational purposes only. The contracting officer has determined that competitive short term procurement is impractical and not in the best interest of the Government.

Professional Hospital Supply, Inc.

**6. A determination by the contracting officer that the anticipated cost to the Government will be fair and reasonable.**

The independent government estimates for this procurement are based on the historical data on usage during the previous year available and the information provided as part of the procurement package submitted to support the national contract.

In addition, it is noted that these products are available in the commercial market place and there are current established FSS schedules for these products, which will serve as a basis for determining fair and reasonable pricing.

The items distributed under the MSPV contract are already under government contracts with prices negotiated and determined fair and reasonable by the government. The prices of the items distributed under the MSPV contract are separate from the distribution fees negotiated between the current vendors and the NAC. The VA expects to award fair and reasonable fees identical to, or closely based on the current contract; on the resultant short-term MSPV contract.

**7. A description of the market research conducted, the results or a statement of the reason market research was not conducted.**

Monterey Consultants, Inc. was hired to do a comprehensive market research study in preparation for the next generation MSPV contract negotiations. VHA is familiar with the current competitive market. No other sources can satisfactorily meet the requirements of the MSPV contract in such a short period of time. This contract will commence performance on April 20, 2015. The compelling need to have a consistent, stable MSPV contract while the challenging and complex process of completing and operationalizing the next generation MSPV contract is completed dictates the need for continuation of services from the current vendors and drives the need for this sole source justification.

**8. List of sources, if any that expressed interest in the acquisition.**

Not applicable for the reasons stated herein in this document.

**9. Statement of actions the agency may take to remove or overcome any barriers to competition before any subsequent acquisition for the supplies or services required.**

The period of performance will not exceed the time necessary for the agency to enter into another contract for the required goods through the use of competitive procedures. Acquisition for the long term national contract will be based on full and open competition.

**TECHNICAL AND REQUIREMENTS CERTIFICATION**

I certify that the facts and representations under my cognizance which are included in this justification and, which form a basis for this justification are complete and accurate.

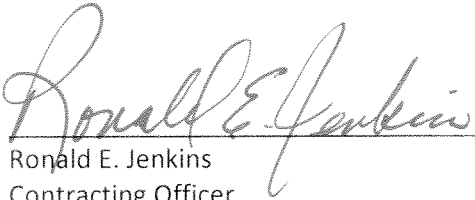
  
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Jon Miller  
Director of Logistics Operations  
VHA Procurement & Logistics Office

4 Dec 14  
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DATE

Professional Hospital Supply, Inc.

CONTRACTING OFFICER CERTIFICATION

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



Ronald E. Jenkins  
Contracting Officer  
VA National Acquisition Center, Hines, Illinois

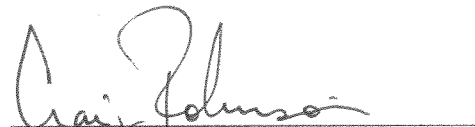
12/4/14  
Date

Concur:



Maura Brown  
Office of General Counsel  
VA National Acquisition Center, Hines, Illinois  
Concur as to the formalities and requirements  
in FAR 6.303-2 only.

12/4/14  
Date



Craig Robinson  
Head of Contracting Activity  
VA National Acquisition Center, Hines, Illinois

12/12/14  
Date