

Justification for Other than Full and Open Competition

1. Contracting Activity: Department of Veterans Affairs (VA)
Office of Acquisition Operations (OAO)
Strategic Acquisition Center (SAC)
10300 Spotsylvania Avenue
Fredericksburg, VA 22408

2. Description of the Action: This proposed action is for an Indefinite-Delivery, Indefinite-Quantity (IDIQ) contract with firm-fixed-priced task orders to a single source to Cardinal Health 200, Inc., to provide Veterans Health Administration (VHA) a short-term solution to continue Medical Surgical Prime Vendor (MSPV) services at VHA facilities in Veteran Integrated Service Networks (VISN) 3-7, 9-12, 15-20, 22, Consolidated Mail Outpatient Pharmacy (CMOP), Alaska and Hawaii.

3. Description of the Supplies or Services: VHA has an urgent requirement for a MSPV distribution bridge contract from Cardinal Health 200, Inc., in order to provide uninterrupted services until the Medical Surgical Prime Vendor-Next Generation (MSPV-NG) contract can be awarded, and the transition is complete. VHA has previously awarded a 12-month bridge to Cardinal Health 200, Inc., to allow VA sufficient time to solicit and award the MSPV-NG requirement. The current contract expires on April 19, 2016.

The MSPV-NG was expected to be awarded by December 2015; however, due to a protest after the first competitive range determination, and multiple re-solicitations necessary in the MSPV-NG cataloging effort, which has created unforeseen delays in developing the new MSPV-NG catalog, the award date has been pushed back to February 2016. A new bridge contract is needed so that services can continue uninterrupted and undisrupted. After award, the transition period should be immediate since this is an incumbent contractor. Award of this urgent and compelling contract will provide continuous delivery of 410,000 medical and surgical supplies to VHA facilities ensuring that quality direct patient care is provided to our Veterans. Without uninterrupted delivery, supplies could be late in arriving to fulfill critical services to Veterans, thus potentially creating a situation of serious injury or delayed medical procedure to a Veteran.

The proposed contracting action is for an IDIQ contract for a 3-month period, from April 20 to July 19, 2016, and three 3-month options for an additional 9 months (July 20, 2016, to April 19, 2017). SAC incorporated a streamlined effort; however, it has become evident that VA will not be able to meet the requirements of including a minimum of 17,000 commodities into the new MSPV Catalog. The reason for a 3-month period of performance with three 3-month options is to ensure that VA has sufficient time to compete and populate the MSPV-NG catalog with 17,000 medical line items. At this time, VA has competed and awarded approximately 2,000 medical products, which are not sufficient for performance to begin by April 2016. In the interim, the MSPV Bridge is required to ensure mission critical products are available and that

critical medical care is provided uninterrupted to the Veterans until the MSPV-NG catalog is up and running. In addition, MSPV-NG needs a 120-day transition period for performance to begin. There will not be a duplication of effort. As new products are competed, they will be added to the MSPV-NG catalog and will not be ordered under the MSPV Bridge effort. The options will not be exercised beyond what is absolutely necessary. The estimated value of this contract action including the option periods is approximately \$100,767,090.00 per quarter with an estimated total cost of \$403,088,360.00.

4. **Authority:** The statutory authority permitting other than full and open competition is 41 U.S.C. 3304(a)(1), Federal Acquisition Regulation (FAR) 6.302-1, only one source is capable of providing the supplies; and under 41 U.S.C. 3304(a)(2) FAR 6.302.2 unusual and compelling urgency when delay in award of a contract would result in serious injury, financial or otherwise, to the Government.

5. **Rationale Supporting the Use of the Authority Cited Above:** Due to the time to implement a new contract (minimum of 120 days) and the need to not have delays in critical supplies being provided to Veterans, there are several reasons for only one source, which would also be urgent and compelling. Cardinal Health 200, Inc., is currently providing MSPV services to VHA facilities in VISNs 3-7, 9-12, 15-20, 22, CMOP, Alaska and Hawaii. The current MSPV contract will expire on April 19, 2016. The MSPV-NG contract is not currently scheduled to be fully active until June 28, 2016, and this is if there are not any additional unforeseen delays. A delay in supply of service could create a medically unsafe issue within multiple facilities, because medical surgical supplies are critical to patient care. VA medical centers and/or related facilities cannot operate without the correct supplies in a timely manner. Cardinal Health 200, Inc., is the only vendor, with the necessary supply chain currently in place, 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 VA medical centers and/or related facilities.

The Government currently has over 410,000 MSPV-wide medical surgical line items authorized for the MSPV distribution through Cardinal Health 200, Inc. A contractor not currently doing business with VA on the current contract would not have government prices loaded in their system, would not have business agreements with manufacturers and vendors in place doing business with the government. The MSPV contractors are required to load all contract prices provided by 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 that could cause critical delays in patient care and patient safety in the medical centers and/or related facilities.

Currently, Cardinal Health 200, Inc., provides VA medical centers located in VISNs 3-7, 9-12, 15-20, 22, CMOP, Alaska and Hawaii with on-site representation. These representatives are full-time and are expected to assist with ordering processes; identifying mandatory usage data items to achieve contractual fill rates; review reports; resolve problems of Core/Non-Core backorders; update pricing and federal contract information; research and coordinate substitutes; web-based ordering; continue systems training, etc. Given the need to have timely delivery and the need of 120 days to train new representatives, the loss of this supply chain process prior to fully being trained could create a safety issue, for the medical facilities not receiving the necessary supplies when needed.

VHA logistics staff in VISNs 3-7, 9-12, 15-20, 22, CMOP, Alaska and Hawaii would need to update the master item file to convert both pricing and vendor numbers for a new MSPV. There are logistics employees, item managers, supply analysts, ordering officers and logistics managers at VHA facilities supported by Cardinal Health 200, Inc. This is a timely process and without allowance of the necessary transition time (120 days), the risk of having an improper delivery could increase. The training for this volume of employees is usually required to be done within 60 days via 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.

VHA's ordering entities purchase approximately \$300 million per year from Cardinal Health 200, Inc., which represents over 410,000 MSPV-wide medical line items and additional contracted items. These items must be delivered to the medical centers and/or related facilities up to 7 days a week.

Cardinal Health 200, Inc., has dedicated warehouses, equipment, carriers, and staff to ensure continued timely delivery needed to their VHA MSPV customers. Cardinal Health 200, Inc., has MSPV specific distribution centers that contain approximately \$300 million in yearly inventory to meet product inventory levels required for distribution. Retaining Cardinal Health 200, Inc., addresses the urgency of having the proper system in place to avoid creating a potential serious injury within one of the medical facilities, by ensuring operations continue without an adverse effect on the medical-surgical supply chain that provides medical products for direct patient care.

Historically, implementation of new MSPV suppliers require a 120-day period once the contracts are awarded. MSPV-NG provides a 120-day implementation period as well. The lead time remaining to award MSPV-NG has insufficient time left to allow competition with only 4 months left 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 2016. This increases the likelihood of tremendous disruption and catastrophic failure in the field because a MSPV vehicle would not be in place.

For the expressed reasons herein, the Government's needs are best served by a short-term contract with Cardinal Health 200, Inc., to support the MPSV program. Cardinal Health 200, Inc., is the only contractor capable of fulfilling the Government's short-term urgent 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.

6. Efforts to Obtain Competition: Market research was conducted, details of which are in the market research section of this document. This effort revealed that there are additional sources that can provide the supplies needed but would need a 120-day implementation period to provide the necessary services. However, there are no additional resources that can start up and timely meet the Government's requirement when the current contract expires on April 19, 2016. Due to the anticipated performance period being limited and the complexity requirement, meaningful competition is not anticipated. In accordance with FAR 5.301, 6.302-1 and 6.302-2, this action will be synopsisized upon award on the Federal Business Opportunities (FBO) website and the justification will be made publically available.

7. Determination of Best Value: The proposed contract action will represent the best value to the Government. The prices provided by the offeror will be compared to historical pricing of the previous contract and compared to prices on the Federal Supply Schedule (FSS) that were previously negotiated by. The MSPV distributors charge a distribution fee to the medical product vendors with the exception of the service-disabled Veteran-owned small businesses (SDVOSB) and the Veteran-owned small businesses (VOSB), who currently are able to opt-out of the distribution process. The Contracting Officer will ensure the distribution fees are considered reasonable and are in line with the fees charged in the previous contract. Additionally, price discounts will be sought when negotiating the final contract prior to award.

8. Market Research: Monterey Consultants, Inc., was hired to do a comprehensive market research study in preparation for the MSPV-NG requirement on February 28, 2014, which was posted on FBO website. The market research conducted for the MSPV-NG requirement has shown that there are several medical distributors capable of performing these services within the same regions as Cardinal Health 200, Inc. However, there are no other sources that can immediately meet the requirements for the MSPV bridge contract in such a short period of time due to the 120-day implementation period. This market research confirmed that Cardinal Health 200, Inc., is the only source that has the expertise to provide continued health care distribution services for VISNs 3-7, 9-12, 15-20, 22, CMOP, Alaska and Hawaii, covering the medical centers and/or related facilities within those VISNs. Performance is required by April 2016, and no other company is capable of providing these services by then. VA has a compelling need to have consistent 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 VA medical

centers and/or related facilities driving the need for this urgent and compelling justification.

9. Any other Facts Supporting this Justification: None.

10. Actions to Increase Competition: In order to remove or overcome barriers to competition in future acquisitions for the requirement, the agency is currently working with the program office to compete this requirement under MSPV-NG. This period of performance will not exceed the time necessary for the agency to enter into another contract for the required goods and services through competitive procedures. The acquisition for the long term national contract is under full and open competition.

11. Technical and Requirements Certification: I certify that the supporting data under my cognizance, which are included in this justification, are accurate and compete to the best of my knowledge and belief.

APPROVED February 19, 2016