JUSTIFICATION
FOR OTHER THAN FULL AND OPEN COMPETITION

1. <u>Contracting Activity</u>:   Department of Veterans Affairs (VA)
    Office of Acquisition Operations
    Technology Acquisition Center
    23 Christopher Way
    Eatontown, New Jersey 07724

2. <u>Description of Action</u>: The proposed action is for a sole source, firm-fixed price contract for the renewal of maintenance and technical support for existing brand name McKesson Corporation (McKesson) ClaimCheck® Code Auditing/Editing software licenses. Veterans Health Administration (VHA) Office of Community Care, Community Care Operations currently holds a contract with McKesson Corporation to provide their ClaimCheck® Code Auditing software for its claims processing system.

3. <u>Description of the Supplies or Services</u>: VA, Office of Information and Technology, Service Delivery and Engineering, Field Operations Region 6, in support of the Office of Community Care, Community Care Operations has a requirement for maintenance renewal and technical support of its existing automated cost containment claims auditing product, ClaimCheck®. The product's payment and coding edits are based on guidelines developed by the American Medical Association's Physician's Current Procedural Terminology (CPT©[1]), a review of the Centers for Medicare and Medicaid Services (CMS) guidelines, and specialty society guidelines; incorporating agreed upon industry practices, reviews and analysis by an extensive clinical consultant network. VHA Office of Community Care requires maintenance renewals for its existing ClaimCheck® product which automates health care claims auditing and evaluates and clarifies clinical coding accuracy of outpatient, impatient professional, and ambulatory surgery claims for services provided to beneficiaries. The ClaimCheck® product has the capability to identify discrepancies in claims, to include verifying the validity of codes submitted for each date of service on a claim; identifying appropriate procedures for reimbursement; applying multiple procedure/surgery payment percentages; and rebundling claims to appropriate procedure codes.

Health care claims are submitted to the Office of Community Care, Community Care Operations by both providers and beneficiaries utilizing CPT© Healthcare Common Procedure Coding System (HCPCS) and International Classification of Diseases, 10th Edition (ICD-10) codes to represent the patient's diagnosis and the services that are rendered to the patient. VA requires an automated cost containment claims auditing product that provides a consistent claim review auditing process to ensure coding meets current coding guidelines and monitors utilization reviews of medical claims and services. The proposed contract is for a 12-month base period for software maintenance renewals, and two 12-month options for continued software maintenance renewals. The total estimated price including all options is REDACTED.

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[1] CPT© is a registered trademark of the American Medical Association. The AMA holds copyright which prevents free use and distribution of codes.

4. Statutory Authority: The statutory authority permitting an exception to fair opportunity is Section 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 proposed source for this action is McKesson Corporation, One Post St. San Francisco, California. The Office of Community Care, Community Care Operations currently holds a contract with McKesson Health Solutions, a division of McKesson Corporation, for the ClaimCheck® software product. The Office of Community Care, Community Care Operations requires renewal of maintenance for its existing ClaimCheck® software licenses. No other sources can provide the required ClaimCheck® software maintenance and technical support as the source code and technical data of ClaimCheck® software applications are proprietary to McKesson. Without access to McKesson's proprietary source code and technical data, no other source is able to provide the required software maintenance and technical support. The proprietary source code is needed to properly configure the software once services are provided. Without the required software maintenance and technical support, the existing ClaimCheck® software applications would eventually degrade and not be usable by VA. If Office of Community Care, Community Care Operations were to change its claims auditing/editing product, i.e., stop using ClaimCheck® software, the impact, risks, and vulnerabilities would be significant until a new software system could be implemented. Possible scenarios could include overpayment of claims, which could possibly result in losses to the Government in excess of an estimated $26 million per year. The ClaimCheck® software product is currently integrated into Office of Community Care, Community Care Operation's claims processing and auditing system. McKesson developed a McKesson Integration Module (MIM) exclusively for the Office of Community Care, Community Care Operations that supports and enhances the full functionality of ClaimCheck® software to include the additional development of ClaimReview, history processing and SmartSuspense functionality. The MIM standardizes the integration and simplifies introduction of product upgrades to bring in additional functionality for future product releases. ClaimCheck® is a proprietary software product of McKesson and the McKesson Integration Module was configured specifically for the Office of Community Care system. The implementation of the MIM ClaimCheck® software package was an extensive and technically detailed process that took approximately two years and involved the utilization of many resources throughout the Office of Community Care, Community Care Operations to include clinicians, programmers, analysts, and claim processors. The software package is a sophisticated claim auditing tool with functional and design specifications that contain approximately 1.7 million edits. With each type of edit, thousands of relational procedural edits exist, resulting in cost avoidance savings for the government. No other software products exist that are interoperable and compatible with the existing ClaimCheck® software. The agency would experience unacceptable delays and there would be substantial duplication of costs to the Government if another product were purchased. These costs are not expected to be recovered through competition for another claims software product.

6. <u>Efforts to Obtain Competition</u>: Market research was conducted, details of which are in section eight of this justification. This effort did not yield any additional sources that can meet the Government's requirements. In accordance with FAR 5.201 this action will be synopsized on the Federal Business Opportunities (FBO) Page. In accordance with FAR 6.302-1(c), this justification shall be posted within 14 days after award on FBO with the notice of award of the resulting contract.

7. <u>Actions to Increase Competition</u>: The Government will continue to review and revalidate its requirements as claims check and auditing software continues to evolve. Region 6 will continue to research and monitor whether there are emerging products that enter the marketplace that are interoperable and compatible with VA's existing McKesson ClaimCheck® Auditing and Editing Software that would enable future actions to be competed.

8. <u>Market Research</u>: Market Research was conducted by the Government's technical experts in June 2016 to explore other vendor's systems, the Office of Community Care, Community Care Operations was able to determine that only one responsible source, McKesson could meet the agency's current needs.

The Office of Community Care, Community Care Operations performed a comparative product analysis of the four vendors that responded to the June 2016 Office of Community Care, Community Care Operations Request for Information (RFI), including 3M, Burgess, DSS and ProSidian. A technical review was completed on each vendor's product-specific software and maintenance support, as well as the offeror's ability to provide the required maintenance and technical support for the ClaimCheck® product. The Government's technical experts conducted a review of each vendor's product overview, design philosophy, modifier auditing, reporting process, online services and system integration capabilities. As ClaimCheck® is proprietary software of McKesson and the McKesson Integration Module was configured specifically for the Office of Community Care system, no other software products are interoperable and compatible with the existing ClaimCheck® software. Additionally, no other vendors exist who could provide the required ClaimCheck® software maintenance and technical support as the source code and technical data is proprietary. The RFI respondents were contacted in June 2016, and each software developer advised the Government that they offer a proprietary system and services that will only operate with their respective software. Based on this market research, only renewal of the existing ClaimCheck® software maintenance and technical support can meet VA's technical requirements. No other companies other than McKesson can provide the required software maintenance and technical support.

Additionally, each product distribution has its own calibrations and many of the configuration files are in different places and formats. Use of software that isn't interoperable or compatible with the existing ClaimCheck® software would lead to system outages to the detriment of patient care, as well as resulting in system administrator re-training on a new platform and additional software costs associated

with replacing applications in use that are not certified on ClaimCheck® software. An alternative software solution would also require proprietary software maintenance and technical support which would not resolve the inability to obtain software maintenance and technical support from vendors other than through the respective software. providers.

9. <u>Other Facts</u>: None.