

Justification  
For Other than Full and Open Competition

1. Contracting Activity: Department of Veterans Affairs (VA)  
Office of Acquisition Operations  
Strategic Acquisition Center  
10300 Spotsylvania Ave, Suite 400  
Fredericksburg, VA 22408

2. Description of Action: The proposed action is to award a sole source firm-fixed-priced Indefinite Delivery Indefinite Quantity (IDIQ) to Cardinal Health P.R #120 to provide the Department of Veteran Affairs (VA) Strategic Acquisition Center (SAC) a short-term solution to continue distribution services for the Medical/Surgical Prime Vendor Next Generation (MSPV-NG) of medical and surgical products specific to the VA Medical Facility/Caribbean Healthcare System Puerto Rico, Geographic Area 21, including: VA Medical Center, San Juan, PR; VA Outpatient Clinic Mayaguez, PR; and Outpatient Clinic, Ponce, PR. The Period of Performance (POP) for this award will be 12 months from date of award.

This IDIQ provides medical/surgical stock to the distribution centers and warehouses and provides shipments to VA Medical Centers in Puerto Rico. A previous contract was awarded on February 24, 2016 to American Medical Depot (AMD) to provide these services. American Medical Depot has failed to provide the required services and products and a Cure Notice was issued on January 20, 2017 allowing AMD ten days to respond by January 30, 2017. AMD responded with an implementation plan January 30, 2017 to correct the Cure Notice deficiencies. As of March 13, 2017, the previously identified issues were still unresolved. Therefore, a Show Cause Notice was issued to AMD on 13 March 2017 identifying remaining unresolved performance issues. The Show Cause notice informed AMD the government was considering terminating the contract for default, and AMD was given until March 24, 2017 to respond. AMD provided a response to the Show Cause Notice on March 24, 2017. The Contracting Officer granted AMD's request to present their response to the Contracting Officer. This meeting took place at the Strategic Acquisition Center on March 27, 2017. (See attachments for Cure Notice and Show Cause Notice).

The Government has very little confidence that AMD can provide the required services by 20 April 2017, and it will be in the best interest of the Government by using other vendors and contracting vehicles to satisfy this requirement.

The Government conducted market research to determine how many companies were capable of providing these services on a short notice basis to Puerto Rico. An immediate solution must be in place no later than April 19, 2017, so that medical services and supplies can be delivered while this requirement is re-competed. The medical care and surgical support of 73,000 enrolled veterans in Puerto Rico depend on this service to be continued uninterrupted. The failure on the part of the Government to have a contract in place no later than April 19, 2017 would result in grave physical and medical risk to Veteran patients.

3. Description of Supplies or Services: VA SAC, in partnership with the Veterans Health Administration (VHA), are tasked to deliver timely medical and surgical products to our Nation's Veterans through the MSPV-NG Program. These items include all required medical, surgical, dental, cleaning, rescue and safety, and laboratory consumable supplies used by VA medical facilities. These medical/surgical supplies are currently awarded under various Federal Supply Schedules (FSS), VA National and local contracts, Blanket Purchase Agreements (BPAs), Basic Ordering Agreements (BOAs), and other miscellaneous Government contracts. These items are stored in the prime vendors distribution center to be delivered just in time to the medical facilities. Medical/surgical supplies and services previously awarded will be distributed by Cardinal Health P.R. 120 effective on 20 April 2017, and will be utilized for the direct use of VA healthcare facilities in Puerto Rico. Cardinal Health P.R. 120 will be required to provide the following product categories (Produce Service Codes) at established Government prices from a prenegotiated formulary catalog developed by SAC:

- 4240 (Safety and Rescue Equipment);
- 6505 (Drugs, Biologicals);
- 6509 (Drugs and Biologicals, Veterinary use);
- 6510 (Surgical Dressing Materials);
- 6515 (Medical & Surgical Instruments, Equipment and Supplies);
- 6520 (Dental Equipment, instruments, Supplies);
- 6525 (Imaging Equipment and Supplies);
- 6530 (Hospital Equipment);
- 6532 (Hospital and Surgical Clothing and Related Special Purpose Medical/Surgical Supplies);
- 6540 (Ophthalmic Instruments, Equipment and Supplies);
- 6545 (Replenish-able Field Medical Sets, Kits, and Equipment);
- 6550 (In Vitro diagnostic Substances, Reagents, Test Kits and Sets);
- 6630 (Chemical Analysis Instruments and Equipment);
- 6640 (Laboratory Equipment and Supplies);
- 6650 (Optical Instruments, Test Equipment, Components and Accessories);
- 6670 (Scales and Balances);
- 7910 (Floor Polishers and Vacuum Cleaning Equipment);
- 7920 (Brooms, Brushes, Mops, and Sponges);
- 7930 (Cleaning and Polishing Compounds and Preparations);
- 8305 (Textile Fabrics);
- 8520 (Toilet Soap, Shaving Preparations, and Dentifrices).

The VHA manages the United States' largest integrated healthcare system. The VHA consists of over 1,700 sites of care, serving 8.76 million Veterans each year. These sites include 21 Veterans Integrated Services Networks (VISNs) with approximately 150 Medical Centers (MCs), 820 outpatient clinics, and various other facilities to include Community Living Centers (CLCs), Vet Centers and multiple Domiciliary. Together, these health care facilities and the more than 53,000 independent licensed health care professionals, provide comprehensive care to about 9.3 million enrolled Veterans. A projected 6.7 million Veterans were expected to use the system in 2015. The medical

care and surgical support of more than 73,000 enrolled Veterans in Puerto Rico depend on this requirement.

The SAC and VHA have an urgent and critical requirement for continuation of these medical/surgical products and services for Puerto Rico. In order to provide uninterrupted medical/surgical products and services until the requirement can be competed, a sole source IDIQ contract will be awarded to Cardinal Health P.R. 120.

The period of performance will consist of a 12 month period of performance. This period of performance allows sufficient time for the VA to continue services while competing the requirement for a long-term solution (similar to those MSPV-NG IDIQs already awarded). The estimated maximum price of the new Cardinal Health P.R. 120 IDIQ for Puerto Rico is \$10,293,720.00.

4. Statutory Authority: The statutory authority permitting other than full and open competition is in accordance with 41. U.S.C. 3304(a)(2), and FAR 6.302-2(a)(1), Unusual and Compelling Urgency.

5. Rationale Supporting Use of Authority Cited Above: An IDIQ needs to be awarded not later than April 19, 2017 to avoid delays in critical medical/surgical products being provided at PR hospitals and clinics. Only Cardinal Health P.R. 120's has the ability to perform the volume of inventory, has the experience in delivery, accuracy of orders, and detailed accounting systems to ensure continuity of service is performed by April 20, 2017. Cardinal Health P.R. 120 is currently providing MSPV legacy products to VA Medical Facility/Caribbean Healthcare System Puerto Rico and can expand performance under this new contract without any break in service or risk of health concerns to Veterans' care.

Contract VA119-16-D-0007 was previously awarded to Cardinal Health P.R. 120 for similar products and services in PR. Cardinal Health P.R. 120 has previously demonstrated that they were successful and fully capable of providing these services in PR. When the follow-on contract was competed in 2015, Cardinal Health P.R. 120 did not win the award and the contract was awarded to AMD on February 24, 2016 with a notice to proceed on July 20, 2016. There have been numerous problems with AMD's ability to accurately fill and deliver orders in a timely manner to VHA Puerto Rico customers. There were deficiencies of core inventory items found in the Puerto Rico distribution warehouse/center to include AMD's lack of adequate staff and warehouse personnel in order to perform order processing and delivery. As a result, AMD is already in default, requiring another contractor to perform the services. The only logical contractor that has the capability to perform on such a short notice is Cardinal Health P.R. 120 due to their past experience on previous acquisitions and the location of their offices and warehouses.

Award to Cardinal Health P.R. 120 will provide continuous uninterrupted services to VA SAC/VHA ensuring that necessary medical/surgical products and services will be provided without interruption to VA Medical Facility/Caribbean Healthcare System Puerto Rico. Any interruption of medical/surgical products and services would result in

immediate failure to treat Veterans and cause significant health risks to VA care in PR hospitals and clinics.

For the reasons expressed herein, the Government's needs are best served by awarding a short term IDIQ to Cardinal Health P.R. 120 to provide VHA PR MSPV-NG product distribution services. This IDIQ will ensure continuous delivery of critical medical/surgical products and services to the VA Medical Facility/Caribbean Healthcare System Puerto Rico.

6. Efforts to Obtain Competition: The previous MSPV-NG solicitation for Puerto Rico resulted in 2 proposals. The two companies were AMD and Cardinal Health P.R. 120. AMD was awarded a 20 month base period of performance and two 20 month options contract, not to exceed 60 months. The minimum for this CLIN 0021 in Puerto Rico was \$100,000.00 and the maximum was \$42,881,501.11.

In accordance with FAR 5.301 and 16.505 (2)(ii)(D), this action will be synopsised at award on the Federal Business Opportunities Page (FBO) and the justification will be made publicly available. Market research was conducted, details of which are in the market research section of this document. There is no competition anticipated for this acquisition based on the previous responses received when MSPV-NG was solicited in 2015 and market research conducted in March 2017. However, in an effort to obtain competition for future requirements, the re-compete contract will be resolicited as full and open using fbo.gov.

7. Actions to Increase Competition: No barriers to future competition is anticipated. If any source other than Cardinal Health P.R. 120 expresses an interested in performing this requirement, it would require time to learn what is required to include having warehouses in place to store medical products. It is in the Agency's best interest to proceed with the proposed acquisition strategy. Moving forward a competitive solicitation will be issued within 6 months. The solicitation will be a full and open, which is supported they the market research. This will allow all companies interested in the procurement will be able to propose.

8. Determination of Fair and Reasonable Price: The original 2015-2016 MSPV-NG prices listed for Cardinal Health P.R. 120's proposal were found to be fair and reasonable and balanced in relation to competitive pricing proposals received. (Reference MSVP Pre-BCM Negotiation Summary Attachment 5 – Price Evaluation Reports in eCMS beginning on page 288). Given the critical need for these carry over medical/surgical products and the short time until the MSPV-NG contract is implemented, seeking additional discounts through enhanced competition procedures is currently not practical and would result in an unacceptable delays and potential for mission failure. This IDIQ to Cardinal Health P.R. 120 will represent the best value to the Government and result in the lowest overall cost alternative to meet the Government's immediate needs while minimizing risk and jeopardizing performance of medical/surgical products.

9. Market Research: From the original MSPV-NG solicitation, there were not two service disabled veteran owned small businesses competing for this CLIN 0021, Puerto Rico. Vendor Information Pages was checked resulting in 18 SDVOSB for NAICS 339112 for the area of Puerto Rico. None of these submitted proposals under the existing MPSV Solicitation VA119-15-R-0025. There are no other sources that can immediately meet the requirements for the MSPV medical/surgical supplies in such a short period of time. Performance is required by April 20, 2017 and no other source is capable of proving these services by that date due to the need to have inventory and a distribution system in place. Veterans Affairs has a compelling need to have consistent uninterrupted medical and surgical supplies that can meet the government's system-wide requirements; principally to ensure uninterrupted medical surgical supplies without compromising direct patient care to VHA medical centers.

10. Any Other Facts Supporting this Justification: Strategic Acquisition Center is currently establishing single award competed IDIQs that will populate the MSPV-NG catalog for VHA and the medical centers to order from. Cardinal Health P.R. 120 will be providing distribution of these competed medical products to VA hospitals and medical centers in PR. The Government proposes awarding for a period of 12 months to allow for conducting additional market research to determine if any new potential businesses are capable of fulfilling this requirement and to execute a satisfactory acquisition strategy.

APPROVED: 18 April 2017

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