

## JUSTIFICATION FOR OTHER THAN FULL AND OPEN COMPETITION

1. Contracting Activity: Department of Veterans Affairs (VA)  
Office of Procurement, Acquisition, and Logistics  
Technology Acquisition Center  
23 Christopher Way  
Eatontown, New Jersey 07724
2. Description of Action: The proposed action is a modification to existing contract number VA118-15-C-0095 with SSI Claimsnet, LLC (henceforth referred to as Claimsnet). The proposed modification is required to extend the contract period of performance and increase the quantity of healthcare claims that may be scanned/transmitted via Optical Character Recognition (OCR) under the existing contract while a separate procurement is competed and awarded.
3. Description of Supplies or Services: Under the current contract, Claimsnet accepts medical claims from VA healthcare providers via the VA Financial Services Center (FSC) and performs OCR to convert the claims into electronic files that are read by FSC's claims adjudication software, Plexis Claims Manager (PCM). FSC utilizes PCM to enable auto-processing of claims which reduces errors (e.g., lost claims and misrouting of claims), and expedites payment activities. Claimsnet currently receives medical claims from the following product lines: Camp Lejeune Family Member Program; Medicare Dialysis; and Other Government Agencies (such as Immigration and Customs Enforcement Health Service Corps, and the Office of Refugee Resettlement). One of the provisions of the Veterans Choice Program, otherwise known as Care in the Community Program, enacted under the Veterans Access, Choice and Accountability Act of 2014 on August 7, 2014, requires the VA FSC to establish and implement a system to process and pay claims for care delivered to Veterans by non-VA providers under the Program and other non-VA care authorities (hereafter referred to as "Choice claims"). The current contract extension with Claimsnet is currently in Option Period 2 and set to expire after February 28, 2018. The requirements of the proposed modification are to extend the period of performance to May 31, 2018 so that additional healthcare claims can be scanned or transmitted while a separate contract is competed and awarded. Additionally, the modification will incorporate three, 1-month options for transition purposes in the event the incumbent contractor, Claimsnet, is not the awardee for the new contract. These options will ensure that there is no gap in services while the incoming contractor on boards and begins providing the services. Given how the contract modification will be structured, in the event that the competitive contract is awarded early and claims transmitting services on the current contract are no longer required, VA will stop transmitting claims against the current contract; VA is only obligated to pay for the number of claims transmitted. The total estimated value of the proposed modification is [REDACTED] inclusive of the options.
4. Authority Cited: The statutory authority permitting other than full and open competition is 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 Claimsnet, 14860 Montfort Drive, Suite 250, Dallas, Texas 75231-6782. VA has been in the process of competing all future healthcare claims clearinghouse services. However there have been unanticipated delays in awarding the competitive contract. Initially in the August 2017 timeframe, unanticipated technical, function, and security requirements emerged which were not captured in the competitive action. These unanticipated requirements resulted in a six (6) month extension that was awarded in October 2017. Subsequently, in November 2017, further unanticipated technical requirements emerged. In November 2017, the Veterans Health Administration (VHA), Office of Community Care (OCC), a customer of the FSC, required an electronic healthcare claims clearinghouse technology. Its own Fee Based Claim System (FBCS) product is not meeting its current demand. The electronic healthcare claims clearinghouse services provided under the existing contract provides the capability for a Veteran or Non-VA Provide to submit a handwritten or printed medical document to the clearinghouse third party vendor. This document is then scanned and run through OCR software which converts the document into an electronic data file format. This electronic data file is then sent through the medical claims software for processing. OCC requires the FSC's electronic healthcare claims clearinghouse services as its current manual process increases the rate of errors and is very labor intensive. As a result, FSC was tasked with assuming the medical claims processing duties for OCC's FBCS claims. This unanticipated change in the requirements led to the need for additional claims processing capabilities. In order to capture these new requirements, the FSC now requires the ability to scale its OCR capabilities for each type of transaction separately up to an additional 1.5M claims on a monthly basis, which in total resulted in a scope change of over 30M a year. As noted, this increase in scope was not considered in the requirement refinement stage. This increase in scalability will ensure that the FSC supports the timely processing of VHA OCC medical claims. Hence, with this scalability now captured in the requirements, it has resulted in a longer lead time from requirement refinement to award to be realized. With the current healthcare claims clearinghouse services initial extension ending on February 28, 2018, there is not sufficient time to award the competitive action prior to expiration. Therefore, in order to provide continuity of services and cause no impactful delays in implementing the Veterans Access, Choice, and Accountability Act of 2014, thus hindering the VA's ability to provide healthcare options to the Veteran, FSC requires the extension of the existing healthcare claim processing contract until the competitive action is awarded. Proceeding with a modification of the existing contract is the only way the VA FSC can provide timely high quality healthcare for Veterans.

No other source can provide the healthcare claims processing services in the timeframe required by VA. Any other source requires a robust effort to ramp-up time to be able to meet VA's aforementioned requirements. Specifically, any other source would have to create a conversion mechanism for their respective products that can process all of VA's claims. Any other source would require at least three (3) months to create a

connection mechanism due to the external connection process described. The external connection mechanism is guided by VA Handbook 6513, Secure External Connections directives to secure all external connections to the VA network infrastructure. This directive establishes policy for the conversion of current and future, inbound and outbound, external connections to the VA Trusted Internet Connection (TIC) and One-VA Gateways to ensure compliance with Federal laws, Office of Management and Budget (OMB) mandates, National Institute of Standards and Technology (NIST) guidance and recommendations, VA Directive 6500, Managing Information Security Risk: VA Information Security Program and VA Handbook 6500, Risk Management Framework for VA Information Systems – Tier 3: VA Information Security Program. This effort would be in addition to obtaining the ATO, which is detailed below.

In addition, historically, vendors have required at least six months to obtain an approved Authority to Operate (ATO) within the VA environment. The ATO process includes specific tasks, roles, and responsibilities through a coordinated effort of both the system owner (vendor) and VA personnel. Only the software provided by Claimsnet has an approved ATO within the VA environment. Whenever a new procurement is conducted, and a new solution is selected, there could be a six 6-month lead time before the solution could be fully tested and granted an ATO. Without coverage during that time, this would equate to 234,000 additional Choice claims being added to the backlog over that period of time. To obtain and maintain an ATO, technical/testing, security documentation and security control compliance requirements are necessary to support an authorization decision. The ATO process includes tasks, roles and responsibilities through a coordinated effort of both the system owner (contractor) and VA personnel. The ATO approval process begins with the authorization requirements. Included in the authorization requirements are technical/testing requirements which include system owner tasks such as Nessus Scan (vulnerability scan), Secure Code Review, Penetration Test Assessment, Security Control Assessment, and Security Configuration Compliance. The security documentation requirements include a System Security Plan, Signature Authority document, Risk Assessment, Configuration Management Plan, Incident Response Plan, Information Security Contingency Plan, Disaster Recovery Plan, Privacy Impact Assessment, and an Interconnection Security Agreement. Once all requirements have been met or deemed inappropriate, the completed package will be submitted to the Authorizing Official with a recommendation authorizing the system to operate for an established period of time or a denial of authority to operate due to unacceptable security risks. The six month lead time to gain ATO approval within the VA environment is based on recent history demonstrated by vendors with an approved ATO. The duration of the process for Emdeon Business Services, LLC to be granted ATO for a one-way connection from the FSC to Emdeon took approximately six months. Specifically, a new product would require testing to ensure compliance with the VA Enterprise Technical Architecture and compliance / integration with Identity and Access Management design and integration patterns. In addition, Health Insurance Portability and Accountability Act standards and requirements, as well as VA Handbook 6500, prescribe the necessity of secure connections when transmitting protected health information. These connections must be fully documented and have Office of Information & Technology Chief/Chief Information Officer and VA Information Security

Office approvals. These connections must be managed and coordinated with and by the VA Network and Security Operations Center.

Failure to provide the continued healthcare claim processing services would cause healthcare claims to be added to the backlog, which would severely harm the Veteran. Specifically, the impact to the Veteran due to the Choice Program claims backlog is realized by the financial harm to the Veteran's credit scores. The delayed payments to healthcare providers are problematic to the Veteran in that absent of prompt payment, healthcare providers demand payment directly from the Veteran or refer the bills to collection agencies for payment. In many cases the Veteran does not have the ability to pay the bill which results in a negative impact to the Veteran's credit score.

6. Efforts to Obtain Competition: Market research was conducted around the March 2017 timeframe, details of which are in the market research section of this document. This effort did not yield any additional sources that can meet the Government's requirements, specifically within the timeframe required. There is no competition anticipated for this acquisition. Additionally, the proposed action will be synopsized on the Federal Business Opportunities Page in accordance with FAR 5.201. Any proposals that are received shall be evaluated.

7. Actions to Increase Competition: FSC required additional time to finalize its requirements and now anticipates award of a new competitive contract by May 2018. An extension of the current contract is being requested to ensure seamless, continued support is provided. As previously discussed, in the event that the competitive contract is awarded early and claims transmitting services on the current contract are no longer required, VA will stop transmitting claims against the current contract.

8. Market Research: VA's technical experts conducted market research to ascertain if any other source could provide the aforementioned services in the timeframe required. In early 2018, VA's technical experts contacted New Editions Consulting, Inc. and Cyfluent. In both cases, these companies provide similar claims processing services. Upon contacting these companies directly, neither company demonstrated that it had a connection mechanism and/or Authority to Operate (ATO) with VA. These sources acknowledged that they currently cannot meet VA's needs in the timeframe required. Therefore, based on this market research, no other source can provide the required services in the timeframe required. Claimsnet is the only source at this time that can continue to ensure seamless services for all of FSC's healthcare clearinghouse requirements, which are critical to meeting VA's mission objectives and avoiding harm to the Veteran.

9. Other Facts: None