

JUSTIFICATION FOR AN EXCEPTION TO FAIR OPPORTUNITY

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 for a firm-fixed price delivery order to upgrade the existing brand name Pega Systems Inc. (Pega) customer relationship manager (CRM) and business processing management (BPM) software licenses, and to procure Pega Automatic Event Service (AES) and Business Intelligence Exchange (BIX) enterprise licenses inclusive of associated maintenance. The proposed effort will be awarded under the National Aeronautics and Space Administration (NASA) Solutions for an Enterprise-Wide Procurement (SEWP) V Governmentwide Acquisition Contract (GWAC) NNG15SD21B to FedStore Corporation (FedStore).

3. Description of the Supplies or Services: VA Financial Service Center (FSC) has a requirement for minor upgrades to the 375 existing Pega CRM and 4.5 million BPM perpetual software enterprise licenses to include Pega Robotic Process Automation (RPA) and Pega Robotic Desktop Automation (RDA) software functionality. FSC requires the RPA and RDA software licenses functionality to be used with VA's licensed Call Center users and licensed BPM Transactions within the licensed metric and licensed purpose. The RPA and RDA are software modules that allow for the automated processing of customer call center functions and the processing of claims. To have these modules added into the software licenses VA currently owns, the current license must be upgraded to the latest version. In addition to the upgrade to the CRM and BPM, the FSC also requires Pega AES and BIX enterprise perpetual licenses inclusive of associated maintenance for AES and BIX. Pega AES is an Automatic error detecting system that examines Pega custom developed software implementations and either makes corrections autonomously or suggest corrections to the software engineers managing the software. The BIX software licenses are used to extract data from the Pega software so it can aide in process improvement in the call centers. The AES and BIX software will ultimately provide VA FSC a single customer management interactive view that displays the monitored VA customer case or claims process status. The period of performance shall be 12-months, with three, 12-month option periods for maintenance on the AES and BIX software. This maintenance will consist of software patches, updates, 8x5 phone support, and access to the technical support online information. The FSC also requires three 12-month option periods for continued premium maintenance on the AES and BIX software.

4. Statutory Authority: The statutory authority permitting an exception to fair opportunity is Section 41 U.S.C. 4106(c)(2) as implemented by the Federal Acquisition Regulation (FAR) Subpart 16.505(b)(2)(i)(B), entitled "Only one awardee is capable of providing the supplies or services required at the level of quality required because the supplies or services ordered are unique or highly specialized."

5. Rationale Supporting Use of Authority Cited Above: The proposed source for this action is FedStore Corporation, 1 Preserve Parkway, Rockville, MD 20852. Based on extensive market research as described in section 8 of this document, it was determined that there is no competition among vendors, and FedStore is the sole Government provider of the Pega brand name software enterprise licenses and maintenance.

The RPA and RDA upgrades required to the existing Pega Software are minor. Only a source with access to the Pega proprietary technical data can develop and push these upgrades to the existing software. Access to this data is required to ensure all these services provided are properly configured. The RPA and RDA add functionality for the existing CRM and BPM software licenses, and to the new perpetual licenses for the AES and BIX to increase efficiency of the Pega claims management and invoice processing. The added RPA and RDA software functionality is needed to support the VA FSC's claims processing system that handles all of the VA Choice Claims throughout all VA regional hospital. Furthermore, any other brand name software cannot provide the required upgrades to the existing Pega CRM and BPM software because another product cannot communicate, nor integrate with the database of existing customer service data that is stored on the Pega Systems Software. The upgrades that are needed will not disturb the customer data that is stored in the FSC database. Additionally, the database of existing customer service data would need to be completely retooled if a different brand name was being used.

Also, VA requires additional Pega Software, specifically the AES and BIX, to provide VA FSC a single customer management interactive view that displays the monitored VA customer case or claims process status. No other brand name software can provide this functionality and meet VA's interoperability and compatibility. Specifically, no other brand name source is capable of providing software capable of integrating with the currently fielded software and Pega Systems Software-based CRM and BPM software solutions to provide the Pega robotics, AES, and BIX functionality. Specifically, the current system and software communicates through a source code that is based on Pega System Software proprietary data. No other software can communicate with the existing Pega Software-based CRM and BPM system without this source code. The duplicated cost to completely replace the existing Pega Software that is currently in place would be over \$5M and thousands of hours of software development that has custom coded the software to meet the VA FSC requirements. These estimates are based on similar efforts previously conducted. This would also result in a disruption of the processing of Veteran health claims from the VA Choice Program and the payment of contractor invoices through the Invoice Payment Processing System. The integration of the call center phones and the case management data is critical to produce a single view collective status of all customer service cases related activity over the CRM. To completely replace the current Pega Systems Software infrastructure would require a significant degree of complexity and a degrading of the FSC IT Services ability to find, diagnose, and repair errors that would result if the requested Pega Software infrastructure were to be replaced. Any disruption to these software systems would severely delay the payment of VA invoices, slow the processing of Veterans' health care

claims, and cause a postponement of payments to the local community health care providers. Any delay beyond the normal processing would adversely affect the Community Care Program, which assists Veterans in obtaining needed care in a timely manner, by limiting the number of providers that would accept VA patients. These errors would result in significant delays in the processing of medical claims and or the processing of VA payments to Veterans and vendors. This would result in causing medical providers to deny services to Veterans. The AES and BIX is the only software with the required functionality that can continue to build upon VA's existing enterprise Pega System Software-based CRM and BPM software systems and can offer the single integration between claims management, customer support, and call center integration software. The enhancements of the existing licenses to add the Pega Robotics, AES and BIX is only a minor component of the larger licenses, and it is only needed to add that expanded functionality.

In addition, only brand name Pega Software can provide call center integrations and automated processing of health care claims into the existing federated Pega Systems Software architecture. The Pega Systems infrastructure seamlessly connects with the Invoice Payment Processing System, the Health Claims Processing System, Electronic Content Management System (eCMS), and the FSC Help Desk CRM Systems. The Pega software currently installed is the backbone of the financial management systems that manage FSCs transactions between external and internal VA customers and the Government. Use of any other brand name software would result in a complete redesigning and rearchitecting of the aforementioned systems that function with the existing Pega Software. This would result in extensive delivery delays and duplicated costs of \$2.5M that would not be recovered through competition. These estimates are based on similar efforts previously conducted.

In addition, maintenance is required for software updates and patches to VA's current and upgrade Pega Systems software. Pega Systems owns the proprietary rights to the Pega software and based on market research it has been determined that only Pega Systems or FedStore have the required access to the source code and other proprietary data to provide the licenses and maintenance support for its Pega software and meet the Government's needs. Pega Systems software maintenance support ensures that all support services are performed and properly configured to integrate with Pega AES and BIX custom software systems which can only be provided by those who have access to the proprietary software code. The maintenance support for Pega software is critical to ensure the software continues to work with Pega CRM and BPM custom software systems.

6. Efforts to Obtain Competition: Market research was conducted, details of which are in section 8 of this justification. This effort did not yield any additional sources that can meet the Government's requirements. There is no competition anticipated for this acquisition. In accordance with FAR 16.505(a)(4)(iii)(A)(2), this justification will be provided with the solicitation to all appropriate NASA SEWP V GWAC holders. Furthermore, in accordance with FAR 5.301, 16.505(b)(2)(ii)(D), and 16.505(a)(4)(iii), the award notice for this action will be synopsisized on the Federal Business

Opportunities website and this justification will be made publicly available within 14 days of award.

7. Actions to Increase Competition: The Government will continue to conduct market research to ascertain if there are changes in the market place that would enable future actions to be fully competed. Currently, FedStore has exclusive rights to sell and support the Pega brand name software enterprise licenses and maintenance, but the Government shall continue to monitor the market to determine whether Pega permits other sources to sell its maintenance renewal offerings.

8. Market Research: The Government's technical experts conducted market research by reviewing other similar software. This market research is an ongoing process and continuously being conducted through November 2018. The other similar software reviewed included Microsoft Dynamics CRM (the product used by VA prior to Pega), Salesforce CRM, and HubSpot CRM. Based on reviews of these products, the Government's technical experts determined that none of these products can meet the Government's interoperability and compatibility requirements as outlined in section 5 of this Justification. Additionally, none of these other products can offer the single integration between claims management, customer support, and call center integration software into the existing Pega Systems software architecture, including the databases of customer information and the custom coded applications that have been built by FSC software developers. Additionally, VA claims possessing Subject Matter Experts regularly review industry trade publications and conduct internet research to ascertain if any other brand name software is available. Based on all of these market research efforts, the Government's technical experts have determined that only Pega Systems brand name software can meet all of VA's needs.

In addition, the Government representatives were contacted by Pega on January 9, 2019 and provided a signed letter confirming that FedStore is the sole Government provider of the Pega brand name software enterprise licenses and maintenance. Furthermore, Pega confirmed FedStore through the NASA SEWP contract vehicle is the only way to procure these items. Therefore, there is no competition anticipated for this acquisition.

9. Other Facts: None.