

## DEPARTMENT OF VETERANS AFFAIRS

### Justification and Approval (J&A) For Other Than Full and Open Competition (>SAT)

Acquisition Plan Action ID: 36C252-19-AP-1770

1. **Contracting Activity:** Department of Veterans Affairs, Great Lakes Acquisition Center (GLAC) on behalf of the James Lovell Federal Health Care Center (FHCC), VISN 12. Purchase request, 2237, 556-19-2-2134-0013.

2. **Nature and/or Description of the Action Being Processed:**

This is a justification and approval for a new firm-fixed price contract for lease of equipment.

**FAR13.5 Simplified Procedures for Certain Commercial Items:** This procurement is for lease and maintenance of endoscopes in accordance with FAR 13.5 Simplified Procedures for Certain Commercial Items and specifically FAR 13.501 Special Documentation Requirements, where acquisitions conducted under Simplified Acquisition Procedures are exempt from the requirements of FAR Part 6, but still require a justification using the format of FAR 6.303-2.

3. **Description of Supplies/Services Required to Meet the Agency's Needs:** The James Lovell FHCC requires the lease of a modular endoscopic equipment system with 4k technology. This modular system must include Clara and Chroma capabilities to minimize injury and enhance visibility of structures. The system must incorporate Karl Storz endoscopic equipment for Operating Rooms 2&3 as an upgrade from the current equipment from Karl Storz Endoscopy. This includes gynecologic, arthroscopic, laryngoscopic and associated ancillary equipment. The system consists of 113 pieces of endoscopic equipment which will be utilized for the diagnosis and surgical treatment of ailments of Veteran patients. The contractor will deploy the equipment upgrade to include a no-fault service and maintenance agreement. The lease will be for a period of a base year and two, one-year options to be exercised at the discretion of the Government beginning approximately 6/15/2019 through 6/14/2022. The following is the yearly price breakdown:

Base year: \$290,802.12  
Option year 1: \$290,802.12  
Option year 2: \$290,802.12  
Base and all options value: \$872,406.36

4. **Statutory Authority Permitting Other than Full and Open Competition:**

**FAR13.5 Simplified Procedures for Certain Commercial Items:** The authority for applying the Simplified Procedures for Commercial Items of FAR 13.5 is 41 U.S.C. 1901 and is implemented by restricting competition on this procurement via FAR 13.106-1(b)(2).

5. **Demonstration that the Contractor's Unique Qualifications or Nature of the Acquisition Requires the Use of the Authority Cited Above (applicability of authority):**

The FHCC has invested approximately \$2 million dollars over the last five years on the purchase of highly specialized Karl Storz equipment including camera boxes, camera heads, processors and networking infrastructure for the operating rooms and clinics . The proposed Karl Storz equipment is highly specialized because it is the only modular equipment system with 4K technology that utilizes Chroma and Clara enhancement and is capable of interfacing with existing equipment and networking infrastructure.

Ultra High Definition (UHD), also referred to as 4K, has four times the resolution of 1080p High Definition (HD) technology. This higher resolution provides surgeons and other clinicians with significantly greater clarity of structures and the ability to discern greater details during surgeries. The modular design of the camera system provides both backward and forward compatibility, allowing for the use of owned equipment and expandability. This also allows the facility to customize functionality based on the specific surgical applications for which the equipment will be used. The unique Chroma enhancement capability increases visibility and vascularity of blood vessels, minimizing the likelihood of injuring delicate anatomy, including arteries, during surgery. Another unique feature of the Karl Storz IMAGE1 S system is Clara Enhancement. This feature eliminates the need for the surgeon to move the scope closer to an image for proper illumination and instead allows the surgeon to eliminate dark areas in an image. Clara enhancement can reasonably reduce surgical time by eliminating the likelihood of a scope coming in contact with mucous, etc., impeding clarity for the surgical field and requiring the scope to be cleaned and reinserted during a procedure. Leasing any other company's equipment would result in a substantial duplication of cost to the Government that is not expected to be recovered through competition and would require substantial re-training to all medical staff resulting in delays for patients awaiting treatment. Additionally, the life cycle for this equipment varies and is based on usage and is not anticipated to exceed 3 years.

**6. Description of Efforts Made to ensure that offers are solicited from as many potential sources as deemed practicable:**

No additional efforts were made to solicit as the manufacturer is the only known source of supply for the equipment lease to include the no-fault service and maintenance agreement.

**7. Determination by the CO that the Anticipated Cost to the Government will be Fair and Reasonable:**

The equipment lease price offered to James Lovell FHCC was compared to the purchase price for the same items purchased by the Portland VAMC, 36C260182345, and the FHCC lease price is lower. Pricing has also been compared to the contractors NAC FSS schedule and the lease price is less than the FSS purchase price. Additional comparisons were conducted to internet resellers and the price offered directly by Karl Storz is lower. Though leases typically include finance charges, there are no finance charges included in this lease, another savings to the VA. Karl Storz is also significantly discounting several of the new endoscopes due to trade-ins from the previous lease. Based on the Contracting Officer's knowledge of service/maintenance agreements on other endoscopic equipment and systems, the no-fault service/maintenance agreement for the equipment included in the lease is also fair and reasonable with a significant advantage of providing a loaner in the place of any equipment requiring repair. Due to high utilization, most scopes have, on average, an 18-month usage period before significant service or overhaul/rebuild is necessary. Out-of-pocket service and maintenance costs are typically three to four times more expensive than an all-inclusive service/maintenance agreement in the lease.

Based on a lease versus purchase analysis, it is approximately \$39,089.73 more costly to purchase versus lease the equipment over a three year period. Additionally, due to the assets being technology based, it is not possible to predict obsolescence or a future value to currently specifically assess the value the purchased assets might have in regards to trade-in.

Based on this information the CO has determined the anticipated cost to the Government fair and reasonable.

**8. Description of the Market Research Conducted and the Results, or a Statement of the Reasons Market Research Was Not Conducted:**

In accordance with the Vets First Contracting Program, 38 U.S.C. 8127 & 8128 Implementation Policy and Procedures, a search was conducted on the Vendor Information Pages (VIP) under NAICS 334510 and yielded 164 contractors. A subsequent search on VIP was conducted using keyword endoscope and yielded 3 contractors. A subsequent search on VIP was conducted using NAICS 334510 and keyword endoscope and yielded one contractor, Alliant Enterprises, LLC. This contractor is not an authorized distributor/reseller/agent for the Karl Storz equipment. A search of Dynamic Small Business search under NAICS 334510 and keyword endoscope yielded 5 contractors, none with capabilities listed for the Karl Storz equipment. AbilityOne and Unicor are not known to have capabilities to satisfy the requirement for specialized medical equipment. GSA Advantage does not have the required equipment. Karl Storz has a NAC FSS contract, however, leasing is not part of the NAC FSS contract.

**9. Any Other Facts Supporting the Use of Other than Full and Open Competition:** Notice of intent to sole source to Karl Storz was posted to FBO under 36C25219P0580 on 3/08/2019 and closed on 3/22/2019 with no responses.

**10. Listing of Sources that Expressed, in Writing, an Interest in the Acquisition:** None.

**11. A Statement of the Actions, if any, the Agency May Take to Remove or Overcome any Barriers to Competition before Making subsequent acquisitions for the supplies or services required:**

In accordance with VHA Directive 1761 (2) the facility has standardized non-High-Tech Medical Equipment (non-HTME) via purchasing from federal supply schedules and other strategic sourcing initiatives which is driven by clinician preference and patient safety. As such, competition at this time is not viable. Availability of future competition would be clinician-driven with consideration to direct patient care and would consist of a multiple-year, multiple million dollar, facility-wide implementation. Should an entire system replacement be warranted the facility would consider availability of comparable systems from other contractors.

**12. Requirements Certification:** I certify that the requirement outlined in this justification is a Bona Fide Need of the Department of Veterans Affairs and that the supporting data under my cognizance, which are included in the justification, are accurate and complete to the best of my knowledge and belief.

PENNY L.  
DARRACOTT 114600

Digitally signed by PENNY L.  
DARRACOTT 114600  
Date: 2019.06.26 14:33:37 -05'00'

Penny Darracott  
Administrative Officer  
James Lovell FHCC

Date

**13. Approvals in accordance with the [VHAPM Part 806.3 OFOC SOP](#):**

- a. **Contracting Officer or Designee's Certification (required)**: I certify that the foregoing justification is accurate and complete to the best of my knowledge and belief.

jessica l.  
Rasmussen 303871

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Rasmussen 303871  
Date: 2019.06.26 14:47:52  
-05'00'

6-26-2019

Jessica Rasmussen  
Contracting Officer  
Network Contracting Office, NCO 12

Date

- b. **One Level Above the Contracting Officer (Required over SAT but not exceeding \$700K)**: I certify the justification meets requirements for other than full and open competition.

Ivy, Scott A.

Digitally signed by Ivy,  
Scott A.  
Date: 2019.06.28  
08:23:23 -05'00'

06/28/2019

Scott Ivy  
Operations Division Manager  
Network Contracting Office, NCO 12

Date

- c. **DoC Review and Approval**: I certify the justification meets requirements for other than full and open competition.

Paul M. Lauro  
1463508

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1463508  
Date: 2019.06.28 10:32:42 -05'00'

28 Jun 2019

Paul Lauro  
Director of Contracting  
Network Contracting Office, NCO 12

Date

- d. **VHA RPO HCA Review and Approval**: I have reviewed the foregoing justification and find it to be complete and accurate to the best of my knowledge and belief and recommend approval (if over \$68 million) or approve (\$700K to \$68 million) for other than full and open competition.

Randy L. Hays  
534204

Digitally signed by Randy L.  
Hays 534204  
Date: 2019.07.01 12:23:44  
-07'00'

Randy L. Hays  
Acting Executive Director  
VHA Regional Procurement Office Central

Date