

JOINT ACQUISITION OF MEDICAL EQUIPMENT

1. **PURPOSE.** This Veterans Health Administration (VHA) directive establishes objectives, policies, and guidelines for acquiring medical equipment to be jointly owned by the Department of Veterans Affairs (VA) and any health care provider, or other entity or individual, including State Veterans Homes, Department of Defense, and the Indian Health Service. This program promotes joint acquisition and use of medical equipment; sharing between VA and other eligible providers; improves the access and quality of care provided veterans; and optimizes cost avoidance and cost efficiencies for the Federal Government.
2. **SUMMARY OF CONTENTS/MAJOR CHANGES.** Significant changes in this policy include:
 - a. All joint acquisition of medical equipment projects will be funded locally.
 - b. All projects below \$500,000 must be approved by the Veterans Integrated Service Network Director, or designee.
3. **RELATED DIRECTIVES.** VHA Directive 1660 (to be published); VHA Directive 10-95-108.
4. **RESPONSIBLE OFFICE.** Director, Medical Sharing Office (166) is responsible for the contents of this VHA Directive. VISN Directors, VA medical center Directors and supporting staff are responsible for complying with the contents of this directive. Questions should be directed to the Medical Sharing Office at 202-273-8411.
5. **DOCUMENTS RESCINDED.** M-1, Part I, Chapter 35, is rescinded.
6. **RECERTIFICATION.** This document is scheduled for rectification on or before the last day of August 2002.

/s/ by Melinda Murphy for
Kenneth W. Kizer, M.D., M.P.H.
Under Secretary for Health

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1. PURPOSE

This Veterans Health Administration (VHA) directive establishes objectives, policies, and guidelines for acquiring medical equipment to be jointly owned by the Department of Veterans Affairs (VA) and any health care provider, or other entity or individual, including State Veterans Homes, Department of Defense, and the Indian Health Service. This program promotes joint acquisition and use of medical equipment; sharing between VA and other eligible providers; improves the access and quality of care provided veterans; and optimizes cost avoidance and cost efficiencies for the Federal Government.

2. AUTHORITY

Title 38 United States Code (U.S.C.) Sections 8153, 8157, and 8158.

3. BACKGROUND

Prior to 1995, VHA set aside up to \$10 million for the joint acquisition of medical equipment (JAME). Facilities were encouraged to develop and propose joint acquisition projects that were sent to VA Central Office for review and ranking for recommended funding. In some years, the funding level was not fully committed for a lack of strong proposals. The set aside has been eliminated and these dollars have been added for distribution with other medical care funds.

4. SCOPE

- a. All JAME projects will be locally funded.
 - b. VHA facilities will continue to follow all applicable Federal Acquisition Regulation (FAR), Veterans Affairs Acquisition Regulation (VAAR), and VHA guidance in administering the JAME Program.
 - c. VHA facilities will promote the most efficient utilization of existing Federal and community health care resources before additional resources are procured.
 - d. All proposed project costs below \$500,000 shall be reviewed by Regional Counsel and shall be approved by the Veterans Integrated Service Network (VISN) Director, or designee.
- (1) A copy of these executed agreements shall be sent to the Office of Medical Sharing (166). Proposed project costs in excess of \$500,000 shall be reviewed in VA Central Office, consistent with existing delegations by the Medical Sharing Office, the Office of the General Counsel, Office of Acquisition and Materiel Management and the appropriate Strategic Network Group. This VA Central Office review shall be completed within 30 calendar days.

(2) Project costs include the VA share of the estimated cost of the medical equipment and the sharing agreement between VA and the sharing partner for the use of the equipment.

e. Proposed projects in excess of \$500,000 shall be forwarded to the Medical Sharing Office (166).

5. RESPONSIBILITIES

a. The VISN Director may delegate project approval authority to the facility Director level for projects below \$500,000.

b. The VISN Director may approve the purchase of the sharing partner's share of the equipment or sell the VA share of the purchased equipment to the sharing institution(s). VA should not pay more than one-half of the depreciated price of the equipment or sell the equipment for less than one-half of the depreciated amount (see 38 U.S.C. Section 8157).

c. Where programmatically appropriate and based on a documented business analysis, the VISN Director shall direct the contracting officer to negotiate a contract for a time period equal to the expected life span of the medical equipment being purchased.

6. PHARMACEUTICALS

Pharmaceuticals shall not be considered medical equipment under this program.

7. PROPOSED EQUIPMENT

a. The proposed equipment must be consistent with the facility mission.

b. The proposed equipment must be approved by the Food and Drug Administration as proven and accepted medical technology.

c. New lithotripters and Positron Emission Tomography (PET) shall not be purchased under the JAME program. Upgrades for lithotripters and PETs previously purchased under this program can be considered by the medical center or VISN.

8. TITLE AND/OR TRANSFER OF EQUIPMENT

a. Title to the equipment will be jointly held by each sharing partner.

b. Where programmatically appropriate and economically feasible, and with the consent of the sharing partner, a VISN Director may upgrade and transfer equipment purchased under this program to any other location in VHA that has appropriate workload volumes and requirements.

9. FUNDING

- a. VA may pay up to 50 percent of the equipment cost, including installation and first year maintenance. Site preparation shall not be paid by VA unless the equipment is located at VA.
- b. If the sharing partner provides VA with funds for equipment acquisition before they are purchased, the VISN or facility Director shall forward funds to VHA Headquarters to be placed in an escrow account invested in Government-backed securities. Accrued interest on the escrow account will be provided to the sharing partner after the equipment is purchased and accepted by VA and the sharing partner. **NOTE:** *Contact VHA Budget and Execution Office (172B2), at (202) 273-8161 for assistance.*
- c. VA shall purchase the equipment either under a competitive or sole source contract in accordance with Federal and VA acquisition regulations. Sole source acquisitions must meet the requirements of FAR Part 6.
- d. Funds received from the sale of jointly acquired medical equipment shall be retained in the VISN selling the equipment and shall be placed in the appropriate account.
- e. All funds must be deposited with VA prior to the acquisition.

10. SHARING AGREEMENTS

Copies of all executed sharing agreements for joint use of the medical equipment and the joint acquisition contract shall be forwarded to the Medical Sharing Office (166).

SAMPLE FORMAT FOR FACILITY PROPOSALS

1. Name of Department of Veterans Affairs (VA) facility and sharing partner contact person and their phone numbers.
2. The proposed medical equipment for joint acquisition and the cost.
3. A brief narrative from the clinical staff explaining the medical value of the medical equipment proposed for ownership. This narrative should explain how the new medical equipment will be an improvement over the existing equipment at the VA medical facility and how the equipment will improve medical care for veterans.
4. A brief explanation of the degree of demand, support and dedication of the facility and area physicians for the proposed medical equipment. This narrative shall identify the primary users of the medical equipment, other medical staff who may refer patients, or other sources of referral outside the VA medical facility or the sharing partner facility. Also identify any incremental or spin off use by other ancillary departments. This narrative needs to explain any credentialing requirements. Preceding paragraph 3, and this paragraph are to be the basis for the justification memo required for the sharing agreement.
6. A Return on Investment (ROI) analysis shall be included that demonstrates how the VA investment will be recovered. The factors in the analysis should include the following:
 - a. Reduction in patient stay;
 - b. Time to perform test and/or procedure;
 - c. Equipment to be replaced;
 - d. Reduction in personnel;
 - e. Cost of consumable and/or disposable;
 - f. Energy costs;
 - g. Disposal costs of reagents or by products;
 - h. Construction costs. *NOTE: This section should include a comparison of current costs from active sharing agreements that would be eliminated as a result of this joint acquisition or any other savings, such as travel costs to current referral sources.*
7. A detailed listing of all VA and sharing partner expenditures associated with purchase, ownership and use of the equipment, including expenses after the first year of operation. This should include, operating costs, including professional services, site preparation, training,

security, maintenance, outside service supplies, building construction outside contracts, etc.

NOTE: This section may be the basis of Section B of the sharing agreement.

8. In cases of innovative and emerging equipment or cases with no history of contract treatment, justification must be provided to show how treatment costs will be reduced and how the clinical standard of care will be improved. For example, the equipment purchased could replace or upgrade other diagnostic tests or procedures, could reduce Full-time Employment Equivalent (FTEE), provide veterans access to a service otherwise not available, reduce the need or length of inpatient care, etc.

9. A description of the "baseline" or status quo case, or what is currently being done. This description should include current workload, future projections, how related functions are being performed, by whom, where, when and at what cost. What are the current fee-basis demand for the equipment and related service being proposed? How will the proposed equipment impact the "baseline case" in terms of cost and service delivery? Will VA or the sharing partner provide staffing? What priority does this purchase have to the VA medical center in relation to any other equipment being considered for purchase?

10. A presentation of significant demographic trends in the hospital service area that the VA medical center considers most relevant to the equipment proposed for ownership and which will effect current and future utilization.

11. A presentation of any opportunity to sell excess equipment time to other health care facilities, should excess time develop.

12. Documentation that non-Federal sharing partner(s) have or will conform by the expected delivery date of the equipment, with all State requirements for Certificate of Need.

13. Does the Sharing Institution provide medical services to community employers or operate an approved Health Maintenance Organization (HMO) or Preferred Provider Organization (PPO). If so, please provide the name of the plan and major employer(s) enrolled in the plan or under contract.

**SAMPLE OF
JOINT ACQUISITION OF MEDICAL EQUIPMENT
MEMORANDUM OF UNDERSTANDING**

Between VA Medical Center _____

and (Sharing Institution) _____

This Memorandum of Understanding is entered into by and between _____ and _____ to set forth the terms, conditions, and understandings of the parties with respect to the purchase, installation and use of a (insert type of equipment)

1. **Deposit of Funds.** VA will deposit the sharing partner's funds in an interest-bearing escrow account managed by VA and invested in Government-backed securities.

2. **Purchase of Equipment.** After receipt of funds pursuant to paragraph 1 of this agreement, VA will purchase the equipment in compliance with applicable requirements of Federal and VA acquisition regulations.

3. **Location of Equipment.** VA and the _____ (sharing partner) agree that the medical equipment to be purchased by VA shall be installed at _____ (installation site of equipment.)

4. **Use of Equipment.** VA shall be entitled to use the equipment x percent of the time. *NOTE: In this sentence, x shall equal the percentage share of the purchase and installation cost of the equipment which VA contributes.* The _____ (sharing institution) shall be entitled to use the equipment x percent of the time. *NOTE: In this sentence, x shall equal the percentage share of the purchase and installation cost of the equipment which the partner contributes.* The _____ (sharing partner) agrees not to use the equipment more than its allotted percentage of time unless it has agreed to pay VA for the use of the equipment for the additional time in accordance with a sharing agreement negotiated with the VA medical center. The VA medical center is required to negotiate this sharing agreement in compliance with the procedures set forth in VHA Handbook 1660.2. Unless there is a sharing agreement in effect between the parties, VA employees do not have the authority to permit the sharing partner to use the equipment during the time allotted to VA.

5. **Monitoring Workload.** VA and the _____ (sharing partner) agree to monitor use of the equipment with the following procedure: _____ (a brief explanation of the procedure to be used to monitor use of the equipment).

NOTE: One of the two following paragraphs on Certificate of Need must be included in each MOU.

6. **Certificate of Need.** The _____ (sharing partner) has complied with all applicable State or local Government certificate of need requirements.

or

Certificate of Need. The _____(sharing partner) will comply with all applicable State or local Government certificate of need requirements at least one month prior to _____(the expected date of installation of the equipment). If the sharing partner fails to comply with all applicable State certificate of need requirements by that date, VA may take either of the following actions:

a. VA may terminate equipment purchase contract with the manufacturer and return the partner's contribution minus the costs of terminating the contract; or

b. VA may choose to use the equipment for solely VA purposes by terminating the agreement and returning the partner's contribution plus interest.

7. **Reimbursement of Funds in Escrow.** The sharing partner will be reimbursed by VA for interest accrued in the escrow account and any excess funds remaining after the purchase and acceptance of the equipment by VA and the sharing institution.

8. **Joint Title.** Upon acceptance of the equipment by both parties, VA and _____(sharing institution) will hold joint title to the medical equipment.

9. **Effective Date.** This Memorandum of Understanding shall become effective on the date of the last signature.

10. **Termination of the Agreement.** Prior to the effective date of the equipment acquisition contract, either party may terminate this agreement with prior written notice to the other party. After the effective date of the equipment acquisition contract, either party may terminate this contract with prior written notice to the other party subject to the terminating party paying the costs of terminating the equipment acquisition contract.

11. **Authority.** VA has authority to enter into this agreement under Title 38 United States Code Sections 8156 and 8157.

Signed this _____day of _____,1997

VA Medical Center Director

Signed this _____day of _____, 1997

Chief Executive Officer,
Sharing Institution