

March 20, 2009

## ACQUISITION OF HIGH-COST, HIGH-TECHNICAL MEDICAL EQUIPMENT

**1. PURPOSE:** This Veterans Health Administration (VHA) Directive defines VHA acquisition processes for high-cost, high-technical medical equipment purchased through the National Acquisition Center (NAC), Direct Delivery Branch, or requiring the submission of a Capital Investment Proposal (CIP).

### 2. BACKGROUND

a. Department of Veterans Affairs (VA) Medical Centers and Veterans Integrated Service Networks (VISNs) generally make local decisions on the timing and execution of major medical equipment purchases. While accommodating local situations, this practice prevented VA from achieving additional savings or discounts through market leveraging. After review of the local practices, the Secretary of Veterans Affairs' Task Force on Procurement Reform concluded that substantial savings can be gained by consolidating medical equipment acquisitions. **NOTE:** *In accordance with the VHA Handbook 1660.04, VA-DOD Direct Sharing Agreement, dated October 2, 2008, sharing of medical equipment between VA and Department of Defense is strongly encouraged.*

b. The objectives of the Equipment Procurement Process are to:

- (1) Maximize VA's leverage with industry to obtain the lowest possible prices while maintaining quality and technological advantages.
- (2) Provide competitive pricing and technical information to support clinician-driven best value selections.
- (3) Integrate VHA, CIP, and NAC Direct Delivery Branch needs and functions into a standardized process.
- (4) Improve utilization of equipment funds through better planning and standardization of processes.
- (5) Ensure that vendors are given a fair opportunity to compete for VA business, as required by Federal Acquisition Regulations (FAR).
- (6) Improve vendor compliance with VHA Health Information Management policies.
- (7) Improve vendor compliance with consistent use of health information standards, technical architectural compliance, data, and terminologies.

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c. This Directive offers VHA activities with two order processing options. The first option provides for the existing consolidation process to continue with the NAC Direct Delivery Branch competing the delivery orders. The second option allows the ordering VISN to conduct its own competition and to forward the requisition with a best value justification for delivery order placement by the NAC Direct Delivery Branch. The procedures are:

### (1) Delivery Order Process (Option 1)

(a) The VA customer forwards a funded procurement document with a functional requirement or salient characteristic statement for the preferred desired equipment or vendor quote to the NAC Direct Delivery Branch.

(b) The NAC Direct Delivery Branch issues a Request for Quotation (RFQ), conducts a competition, and forwards the results of vendor offers to the ordering activity for evaluation. The cut-off dates for medical facilities to provide their requisitions to the NAC under this option are the first working day of February and May, and the last working day of September. **NOTE:** *Early ordering is advantageous. Savings achieved only during the February and May consolidations are available to the VISNs for reinvestment in the same fiscal year.*

(c) The ordering activity reviews and conducts a best value determination, as shown in Attachment A.

(d) The NAC Direct Delivery Branch consolidates requirements in order to obtain better discounts. In addition, the NAC Direct Delivery Branch may consider using delivery orders placed using Option 2 to achieve further savings if the opportunity presents itself.

(e) The NAC Direct Delivery Branch, after receipt of a justified recommendation from the ordering VISN, awards the delivery order and follows it through to inspection, acceptance and final payment. Delivery orders are typically placed by the NAC Direct Delivery Branch within 30 calendar days after receipt of the customer's acceptable best value selection (see Att. A).

### (2) Delivery Order Process (Option 2)

(a) The VISN develops the functional requirement for all high-cost, high-technical equipment items in coordination with its technical staff.

(b) The VISN issues a Request for Information (RFI) to all applicable direct delivery contractors to ensure adequate competition.

(c) The VISN conducts a fair evaluation of vendor offers and selects a product that best meets its needs.

(d) The VISN submits all documents (funded procurement document, RFI, and evaluations) with its selection to the NAC Direct Delivery Branch.

(e) The NAC Direct Delivery Branch, after receipt of a justified recommendation from the ordering VISN, awards the delivery order, and follows it through to inspection, acceptance, and final payment. With the customer's written consent, delivery orders will typically be placed by the NAC Direct Delivery Branch within 30 calendar days after receipt of the customer's acceptable best value selection; otherwise, the order may be held for a period of time as stated below.

(f) Orders are held for a period not to exceed 90 days, starting from the first day of the following month (e.g., if the NAC Direct Delivery Branch receives an order on October 15, the 90-day period begins on November 1). This holding period allows the NAC to consolidate VA orders and to negotiate better discounts. Customers may provide a written request to waive the 90-day holding period and have their orders placed within a 30-calendar day period.

**3. POLICY:** It is VHA policy that each VISN establish an Equipment Committee to develop and review all equipment requirements for major medical equipment requests over \$250,000 (or a lesser threshold established by the VISN) and to consolidate requirements between facilities to the maximum extent practicable.

#### 4. RESPONSIBILITIES

a. **VISN Director.** The VISN Director is responsible for:

(1) Submitting a CIP for individual equipment requests exceeding \$1 million to the Office of Asset Enterprise Management (OAEM) (004B). NAC does not process orders exceeding the \$1 million threshold without an approved CIP. **NOTE:** *VA medical centers are encouraged to submit required documentation, as well as a CIP as early in the fiscal year (FY) as possible to avoid delays from VA Central Office reviews before initiating NAC procurement action.*

(a) All CIP applications must be accompanied by a complete Cost Effectiveness Analysis (CEA). **NOTE:** *A template and other information for submission of proposals are available on the VISN Support Service Center (VSSC) Web Site at: <http://klfmenu.med.va.gov/>.*

(b) Completed proposals must be submitted through the facility Capital Asset Manager or designated representative to the VA Central Office repository for capital investment proposals. VA liaisons Chief, Procurement and Logistics Officer (10F) and the Deputy Under Secretary for Health for Operations and Management (10NB) must be notified by e-mail of equipment requests submitted through the CIP process.

(c) Items with a unit cost less than specified for the CIP must employ a similar approval process controlled through the VISN. Analysis can be abbreviated and may not necessarily include all elements of the CEA. **NOTE:** *Equipment Committees need to attempt to standardize requests between facilities to the maximum extent practicable to take advantage of volume discounts.*

(2) Fully defining functional requirements based on clinical needs.

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(3) Working with vendors to obtain product information and technical capability. In fulfilling this requirement under Option 2, the VISN solicits and provides eligible vendors an opportunity to submit a price quote including the installation cost for like items. *NOTE: Prior to the evaluation of vendor quotes, VISNs are encouraged to submit equipment configurations to the NAC Direct Delivery Branch for review by an Equipment Specialist. VISNs forgoing this process bear the responsibility for any delays or mishaps resulting from bypassing this step. The Equipment Specialist typically responds within 7 working days to complete the review and provide a recommendation to the VISN. The Equipment Specialist's review is a value-added feature currently performed by the NAC Direct Delivery Branch, which includes checking for appropriate configuration. The NAC Direct Delivery Branch must identify any issue(s) and contact the customer to resolve such issues.*

(4) Conducting a fair evaluation of vendor quotes and selecting a product that best meets VA's needs, considering technical excellence, past performance, service support, price, and the ability to interface with the Veterans Integrated System Technology Architecture (VistA), as needed, e.g., Digital Imaging and Communications in Medicine (DICOM), Health Level (HL)-7.

(5) Obtaining vendor pricing at the NAC Direct Delivery Branch contract rate and any additional promotional incentive the vendors care to offer (Option 2). All vendor quotes are to be kept confidential to avoid the perception of auctioning or technical leveling by the government; however, this does not preclude the VISN from seeking additional concessions or seeking clarifications from participating vendors.

(6) Submitting a complete requisition package including all required documents to the NAC Direct Delivery Branch using electronic mail to [AMMHINDirectDeliveryPurchase@va.gov](mailto:AMMHINDirectDeliveryPurchase@va.gov). Any other method of submission (fax, mail) is not acceptable. *NOTE: Environmental Compliance Management Services (eCMS) software is currently being tested by the NAC Direct Delivery Branch as the method for submitting requisitions and will likely replace the e-mail process currently in use.*

(7) Submitting all requisitions to the NAC Direct Delivery Branch for the following categories of medical equipment, except for those at or below the contractually-delegated local purchase thresholds shown. *NOTE: Purchases below these thresholds may be made by the VISNs using the applicable NAC Direct Delivery Branch contract; however, the same are subject to procurement hierarchy requirements.*

<u>Equipment Type</u>	<u>Local Purchase Threshold</u>
(a) Radiation Therapy	\$50,000
(b) Computerized Tomography (CT) and Magnetic Resonance Imaging (MRI)	\$50,000
(c) Diagnostic Ultrasound Upgrades and Accessories Only	\$50,000

(d) X-ray Equipment, including Computerized Radiography and Digital Radiography \$50,000

(e) Nuclear Medicine \$50,000

(8) Using Turnkey Requirements through Defense Supply Center – Philadelphia (DSCP) provided that the NAC is given the first right of refusal. **NOTE:** *An example of a turnkey procurement is when a vendor is responsible for providing both the equipment and construction services required to make imaging equipment and space fully functional. This incorporates renovations to the rooms such as: construction of walls; electrical power runs; additional cooling; lighting; flooring; wall finishes; ceiling tiles; and other work needed so the equipment and space is ready to be used by the Government.*

(a) Prior to placing a requisition with DSCP, the ordering activity must contact the Direct Delivery Branch at the NAC Direct Delivery Branch by e-mail to [AMMHINDirectDeliveryPurchase@va.gov](mailto:AMMHINDirectDeliveryPurchase@va.gov) and provide a description of the construction services (Independent Government Estimate, funding document, and a copy of the vendor's quote) being purchased and installed.

(b) Documentation supporting use of DSCP must include the cost and any contributing factors demonstrating that this is the most effective method of procurement, including comparison of the surcharge.

(c) Turnkey installation is normally accomplished through funds from sources other than capital equipment funds, i.e., Non-Recurring Maintenance (NRM).

b. **VISN Equipment Committee.** The VISN Equipment Committee is responsible for:

(1) Developing, reviewing, and applying capital asset planning criteria to all requests for major equipment purchases generated by medical centers assigned to their VISN. Major Equipment is defined as equipment costing over \$250,000. Membership of the VISN Equipment Committee includes the Chief Logistics Officer (CLO), or designee, the Capital Assets Manager, and other personnel deemed necessary by the VISN Director.

(2) Submitting capital equipment data for input into the Capital Investment Medical Equipment Procurement Plan and other reports required by VA.

c. **NAC Director.** The NAC Director, or designee, is responsible for:

(1) Soliciting vendors for tiered pricing arrangements using prior procurement data, or other sources of information, to obtain additional discounts from participating vendors.

(2) Providing a listing of all contracts, discount information, delivery terms, and inspection requirements and their modality (e.g., such as CTs, MRIs, etc.) to the VISN Contract Managers, or other VISN designee.

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(3) Acknowledging receipt of equipment requisitions using e-mail to the responsible VISN representative, as designated by the VISN.

(4) Placing orders with the vendor selected by the VISN upon receipt of duly-executed documentation which consists of:

(a) A copy of the vendor quotation.

(b) The summary statement of their written best value justification (see Att. A) identifying all participating offerors.

(c) A funding document, including a surcharge showing the NAC as the vendor (e.g., Integrated Funds Distribution, Control Point Activity, Accounting and Procurement (IFCAP) Purchase Order 90-2138-7); CIP approval; and, as needed, an approved Emergency Health Care Equipment Purchase Waiver (see Att. B).

(d) The cost identified on the vendor's quote which needs to be segregated into four cost categories: equipment, extended installation, trade-in, and training.

(5) Providing a copy of the equipment order to the VISN.

(6) Holding orders for a period not to exceed 90 days, starting from the first day of the following month (e.g., if the NAC Direct Delivery Branch receives an order on October 15, the 90-day period begins on November 1.) This holding period allows the NAC to consolidate VA orders and leverage them to negotiate better discounts. *NOTE: Customers may provide a written request to waive the 90-day holding and have their orders placed within a 30-calendar day period.*

(7) Reporting savings off the contract pricing to determine the effectiveness of the equipment program. In addition, other indicators may be used to gauge improvements achieved through the process such as: customer satisfaction, technology gains, and standardization.

d. **Procurement and Logistics Office (P&LO).** The Chief, P&LO, is responsible for:

(1) Receiving emergency waiver requests from the VISNs and reviewing them for completeness and justification.

(2) Returning the waivers to the VISN representative within 5 working days with an approval or disapproval.

**5. REFERENCES:** None.

**6. FOLLOW-UP RESPONSIBILITY:** The P&LO (10F) is responsible for the contents of this Directive. Questions may be directed to 202-254-0426.

**7. RECISSIONS:** VHA Directive 2003-006 dated January 31, 2003, is rescinded. This VHA Directive expires March 31, 2014.

Michael J. Kussman MD, MS, MACP  
Under Secretary for Health

Attachments

DISTRIBUTION: E-mailed to the VHA Publication Distribution List 3/24/2009

**ATTACHMENT A**

**BEST VALUE DETERMINANTS FOR SELECTION MEMORANDUM**

Date:

From: Veterans Integrated Service Network (VISN) \_\_\_\_\_

Subject: Best Value Determinants for Selection of \_\_\_\_\_ (fill in name of equipment)\_\_\_\_\_.

**Format of Decision Document Prepared by Responsible Official**

**VA Facility:** \_\_\_\_\_

**Evaluator(s):** \_\_\_\_\_

**Vendor Selected and Price:** \_\_\_\_\_

**Purchase Order No. or Delivery Order No.:** \_\_\_\_\_

**Vendor Offers Considered and Price:** \_\_\_\_\_

1. How was the vendor provided fair opportunity to respond to a VISN Request for Information?  
(e.g., were all contract holders provided an opportunity to submit a quote?)

a. If an exception to the fair opportunity process was used, identify the statutory exception.  
See Federal Acquisition Regulation 16.505(b)(2)(i thru iv).

b. If the logical follow-on exception was used, the rationale must describe why the relationship between the initial order and the follow-on is logical (e.g., in terms of scope, period of performance, or value).

2. Using the following factors, why this selection is a better value than the other acceptable offerors:

- a. Price;
- b. Availability of required features;
- c. Availability of service;
- d. Past performance by the vendor;



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e. Ability to meet specified delivery timeframe; and

f. Ability to meet Veterans Health Information Systems and Technology Architecture (VistA) and Digital Imaging and Communications in Medicine (DICOM) compatibility requirements (e.g., the Request for Information (RFI) for Direct Delivery's Indefinite Delivery/Indefinite Quantity (IDIQ) contracts must include a statement that describes the factors that are considered for the placement of orders. Explain why the higher-priced equipment quote is worth paying more. Make sure the rationale falls within the scope of the factors that were stated in the RFI).

3. Is the equipment on the offeror's current Direct Delivery or DSCP contract?

4. Describe the rationale for any offer not considered. Were any quotes eliminated from consideration because they did not meet the specification or other requirements that were spelled out in the RFI? Did the order go to the lowest price offer?

***NOTE:** This document needs to be submitted electronically to the Procurement and Logistics Office (P&LO) representative.*

**ATTACHMENT B**

**SAMPLE OF AN EMERGENCY HEALTH CARE EQUIPMENT  
PURCHASE WAIVER MEMORANDUM**

**Date:**

**From:**

**Subj:** Emergency Health Care Equipment Purchase Waiver

**To:** Procurement and Logistics Office (PLO)(10F)

1. An emergency health care equipment waiver is hereby submitted for the following item:

Organization (Station or Veterans Integrated Service Network (VISN):

Chief Logistics Officer (CLO):

Contract Person:\_\_\_\_\_ Phone Number:\_\_\_\_\_ Extension\_\_\_\_\_

Fax Number:\_\_\_\_\_

Category (check one):

New or Replacement Single Facility Use: (check)

Integrated Funds Distribution, Control Multiple Facility Use: (check)

Point Activity, Accounting and Procurement (IFCAP) Obligation Number \_\_\_\_\_ Number of Facilities: (number)

Advance Procurement Planning: Yes\_\_ No\_\_ If Replacement: Age of Equipment\_\_\_\_\_

Additional Equipment Required:\_\_\_\_\_ Estimated Purchase Value \$\_\_\_\_\_

2. Detailed Justification for Emergency Purchase Request:

Approved (Y/N):\_\_\_\_\_

VISN CLO

Date

Approved (Y/N)\_\_\_\_\_

VISN Director

Date

Comments:\_\_\_\_\_

Approved (Y/N):\_\_\_\_\_

Chief, P&LO (10F)

Date

Comments:\_\_\_\_\_