THE COALITION
for Government Procurement

Augsust 2, 2017

Mr. Greg Giddens
Modernization Lead
Department of Veterans Affairs
810 Vermont Ave, NW
Washington, DC 20420

Subject: Department of Veterans Affairs Modernization

Dear Mr. Giddens,

The Coalition for Government Procurement (Coalition) appreciates the opportunity to submit comments regarding the reorganization and modernization efforts at the Department of Veterans Affairs (VA).

The Coalition for Government Procurement (The Coalition) is a non-profit association of firms selling commercial services and products to the Federal Government. Our members collectively account for more than $145 billion dollars of the sales generated through government contracts including the GSA Multiple Award Schedules (MAS) program, VA Federal Supply Schedule (FSS), the Government-wide Acquisition Contracts (GWAC), and agency-specific multiple award contracts (MAC). Coalition members include small, medium, and large business concerns that provide more than $12 billion worth of pharmaceuticals and medical/surgical products to support healthcare needs of our nation's veterans. The Coalition is proud to have worked with Government officials for more than 38 years towards the mutual goals of common sense acquisition and support for our veterans.

The Coalition is submitting these comments on behalf of our members in response to the "Executive Order on a Comprehensive Plan for Reorganizing the Executive Branch," directing agencies to enhance efficiency, effectiveness, and accountability by reorganizing and eliminating unnecessary agencies, components, and programs. The Coalition sincerely appreciates the opportunity to provide input regarding opportunities to increase efficiencies in VA's acquisition functions. If there are any questions I may be reached at (202) 331-0975 or rwaldron@thecgp.org.

Sincerely,

Roger Waldron
President

VA Modernization Recommendations

In Fiscal Year 2016, the VA obligated more than $23.2 billion to prime contractors—more than a third of the VA's total discretionary budget. Contractors are essential to the VA's mission, providing pharmaceuticals, services, and medical supplies and equipment that are required for the care for our Nation's veterans. The VA faces numerous challenges associated with the management of its hospitals and supply chain. Studies, reports, and analyses have been published about these challenges and possible solutions. Instead of duplicating this work, the Coalition's comments solely focus on recommendations for reforming the VA's procurement operations in order to maximize quality healthcare services for veterans. The Coalition recommends:

1. Increasing Clinician Input
2. Centralizing VA Procurement Operations
3. Streamlining Unnecessary and Duplicative Regulations
4. Improving IT Systems
5. Reorganizing Pharmacy Benefits Program
6. Reforming the Role of the VA Office of the Inspector General in Contracting

1. Increasing Clinician Input

Coalition members report that there is a lack of clinician input in the VA procurement process. For example, for MSPV-NG, the Strategic Acquisition Center (SAC) establishes IDIQs and BPAs based on requirements developed in consultation with the procurement and logistics arm of the Veterans Health Administration (VHA). Clinicians apparently provide input in some instances, though there is a lack of transparency regarding these decisions and members are concerned that the awards are primarily based on price, rather than best value for veterans' healthcare. A lack of clinical input will lead to an incomplete formulary, which causes supply shortages and may require facilities to directly purchase items. Likewise, input by clinicians into the selection of drugs and biologics for the National Formulary is not transparent and there are impediments to drug company representatives providing information to VA medical professionals regarding clinical aspects of non-formulary drugs. By comparison, as discussed below, the Department of Defense (DoD) has a process for formulary decision-making that includes input from manufacturers and representatives of Tricare beneficiaries and publication of the basis for the Pharmacy and Therapeutics Committee recommendations. Additionally, there is no visibility into

the process for transitioning care from DoD to the VA, including integration with DoD clinicians, to ensure the VA is providing access to products based on their effectiveness and appropriateness and not just low cost.

Recommendations:

- Create an office (similar in function to Pharmacy Benefits Management (PBM) and Prosthetics and Sensory Aids Service) which is responsible for providing clinician input to the MSPV-NG
- Streamline the VHA procurement bureaucracy to allow clinicians to have more input in ordering—including, as suggested below, streamlining and merging the acquisition functions of the VHA and OALC.
- Provide greater transparency in clinician's product recommendations similar to the PBM

2. Centralizing VA Procurement Operations

The decentralized nature of the VA's procurement operations at the VA headquarters level and within the Veterans Health Administration (VHA) leads to significant inefficiencies and delays in the delivery of healthcare products and services to veterans compared to the commercial market.

VA procurement offices, like the Strategic Acquisition Center and National Acquisition Center, report to different management offices at VA headquarters leading to duplication, and a lack of coordination and consistency in how healthcare products and services are purchased by the VA. Currently, many VA suppliers invest in contracting with the VA through both the Federal Supply Schedules (FSS) program and the Medical/Surgical Prime Vendor (MSPV) program for the same products. Consolidating the operations and leadership of these programs would lead to greater consistency and drive process improvements that would reduce costs for contractors. Reduced operational costs will allow for increased healthcare services for veterans.

Recommendations:

- Streamline and centralize the VA's acquisition operations--move the NAC and the SAC into the same organization. Additionally, the VA should merge the acquisition functions of the OALC and the VHA in order to streamline the procurement process. Coalition members remain concerned that clinician input (which comes from VHA) is divorced from contracting decisions made by the NAC and the SAC.
- Develop standard operating procedures for the MSPV-NG and VA FSS programs with the goal of reducing acquisition lead times, developing greater consistency in requirements and interpretations of policies/procedures, adding new products to contract, streamlining solicitations and awards
- Increase transparency and communications by:
    - Improving coordination and shared internal and external communications from the NAC and SAC

    - Establishing an Industry Liaison or ombudsman within each program to respond to general questions, refer contractors to appropriate VA resources, raise issues of concern with leadership
    - Establish standard processing times for the completion of modifications
- Update the Priority for Use of Government Supply Sources to provide greater clarity to both VA purchasers and contractors
- Extend VA FSS contract term to 5 year contracts with three 5-year option periods consistent with GSA Schedules to streamline processes for government and industry
- Additionally, the VA's should establish additional national contracts with Ordering Officer Delegation (OOD). Currently, only two national contracts have OOD; the lack of this capability forces contracting to a local level resulting in a slow process.

3. **Streamlining Unnecessary and Duplicative Regulations**

The current VA regulatory environment for procurement is overly burdensome and complex. Coalition members report that contract actions on the VA Schedules can take as much as three times longer than comparable actions on the GSA Schedules. While these regulations and long delays represent a significant burden for industry (including Veteran-Owned Small Businesses), the VA's contracting workforce must also devote significant resources to compliance with certain regulatory requirements. Most importantly lack of a streamlined processes fails to ensure that high quality products and services are available to veterans as quickly and efficiently as possible.

Recommendations:

- Eliminate the Price Reductions Clause (PRC). While the Coalition has consistently advocated for the removal of the PRC from the Schedules program, the need to remove the PRC is particularly evident for Schedule 65 I B Drugs, Pharmaceuticals, & Hematology Related Products, since the Veterans Health Care Act already controls the price of covered drugs. Ultimately, the PRC is only one regulation which is unnecessary and duplicative. The VA Regulatory Reform Officer, in compliance with Executive Order 13777 "Enforcing the Regulatory Reform Agenda," should be given the appropriate resources, particularly staff, to complete a thorough review to identify other unnecessary practices to eliminate and/or reform.
- Create a FSS Program Office housed within GSA which would include VA acquisition professionals on detail. The office would ensure the alignment of GSA and VA MAS policies, increase productivity, and reduce cycle time. The FSS Program Office would also be responsible for resolving differences between the VA and GSA on key regulatory and policy matters. The Coalition has identified several areas where the VA and GSA have different policy interpretations including: (i) negotiating for lowest price, considering terms and conditions, (ii) negotiating for products versus product lines, and (iii) the approach to resellers.

4. Improving IT Systems

There has been significant attention given to the VA's electronic health records, but there are other IT systems which are in dire need of updates to support a better healthcare system for veterans. For example, the VA needs updates to its IT systems that handle basic business functions such as billing, claims, payment, and contract administration. An IT system that collects information on the VA's supply chain utilization is also essential to identifying what the VA is purchasing, and how improvements can be made over time. Outdated IT systems and manual processes lead to unnecessary delays and inefficiencies in the VA healthcare system.

Recommendations:

- For the FSS program, leverage existing resources of the GSA such as e-offer and e-mod, which will reduce contracting time at the NAC. When administering the VA Schedules, the VA should focus on healthcare for veterans and leave FSS administrative matters to GSA.
- The VA should establish an integrated IT system to support supply chain management. This system would be essential to resolving issues such as late payments and product shortages and better inform the VA about purchasing trends and behaviors.

5. Reorganizing the Pharmacy Benefits Program

DoD, in managing its pharmaceutical benefits program, permits clinical input from industry and beneficiaries during a transparent decision-making process that considers clinical and cost effectiveness of products. Ultimately, decisions focus on clinical/therapeutic attributes, as well as price. Additionally, DoD posts the basis for its decisions on a public website. Further, a Beneficiary Advisory Panel holds public meetings to comment on formulary recommendations before they are finalized including the effect on patients if prescribed medication will no longer be as accessible, for example if conditions are imposed on their use. New drugs are considered for formulary placement within a set time after coming on the market to ensure products are timely reviewed and those available through military treatment facilities are purchased. Additionally, DoD manages blanket purchase agreements (BPA) for pharmaceutical agents on its formulary through a class review process in order to leverage market forces. Coalition members remain concerned about the VA's formulary process, which less structured than in DoD. The VA's process could be strengthened by implementing a similar process, while increasing clinician input and improving outcomes for veterans. Finally, veterans receiving care remotely may not be able to easily travel to a VA facility to receive a prescription. Integrating retail pharmacies would resolve this issue and provide a better outcome for veterans.

Recommendations:

- The VA should modify their formulary process by creating an effective, efficient, and integrated pharmacy benefits program modeled after the DoD program (see 31 CFR § 199.21). Additionally, the VA should allow for manufacturer input and engage in frequent and effective

communication with industry—for example DoD allows for manufacturer input in the decision-making process, will post the minutes from its meetings on their website, and has defined decision-making criteria.

- Another important aspect of DoD's process for procuring pharmaceuticals is that they will compete BPAs for agents that are added to the formulary, thereby taking advantage of volume discounts and market forces. The VA should adopt this model and issue a class deviation on the Multiple Award Schedule ordering procedures in FAR 8.405-3 to streamline the process for creating single award BPAs for pharmaceutical agents on the formulary. The Coalition raised this issue in 2011 when the MAS ordering procedures were proposed, and we believe that the VA would benefit from revisiting it.
- New drugs should be reviewed for addition to the formulary within six months after they are available commercially.
- Veterans receiving care remotely should not have to obtain their initial prescriptions from a VA facility, which could be many miles away, or through mail order, which could take two weeks. Allowing retail pharmacies to dispense initial prescriptions of 30-days while requiring refills of maintenance drugs through mail order. VA should implement a process that complies with Veterans Choice and ensures immediate access to needed medication without overburdening the beneficiary.

6. Reforming the Role of the VA Office of the Inspector General in Contracting

The VA OIG plays a crucial role in detecting waste, fraud, abuse within the VA and is essential to protecting the interests of veterans in the VA's care. However, the OIG's role in contracting is overly expansive, which, ultimately, leads to significant delays. Veterans may wait months in order to receive innovative products and pharmaceuticals. This is particularly true in the case of mandatory pre-award audits, which often must be repeated. GSA, which administers the Schedules program, does not require pre-award audits.

Recommendations:

- Eliminate the OIG's pre-award and post-award audit functions for the VA Federal Supply Schedules (FSS). The administrative and pricing review functions can be completed by the contracting officer. The OIG should focus its efforts on investigating cases of suspected fraud related to the VA supply chain. Additionally, this would eliminate any potential conflicts of interest.
- Transfer pricing support staff to the National Acquisition Center (NAC). Members report that contract award and modification times at the NAC are at an all-time high—preventing veterans from accessing new and innovative products and discouraging veteran-owned companies from participating in the FSS. Transferring these staff to the NAC and removing the OIG's audits function will significantly speed up the process.