



Veterans Prosthetics Advancement and Reform Act: S. 2981

Background

The Veterans Health Administration (VHA) Prosthetic and Sensory Aid Service (PSAS) spends over \$4B annually on products for veterans.¹ Those products include a wide spectrum of devices that support or replace a body part or function including Durable Medical Equipment (DME), medical equipment for home use such as nebulizers, CPAP, sequential compression devices, and oxygen equipment, mobility devices (walkers, wheelchairs), infusion pumps, hospital beds for home use, sensorineural aids (hearing and eyeglasses), medical/surgical implants (knee/hip joints, coronary stents, intraocular lens, pacemakers), adaptive sports equipment, and artificial limbs.

The largest spend within VHA PSAS is in the DME category (\$1B), followed by medical implants (\$700M), and then sensorineural aids (\$655M). Commercial health systems manage these types of products by performing clinical reviews and establishing contracts for selected products to be procured at the medical center level. VHA PSAS mirrors the commercial sector in that they use clinical oversight to review categories and then contract by product category. The selected products are placed on PSAS contracts which are executed by the [VA Strategic Acquisition Center \(SAC\)](#), [Commodity and Services Acquisition Services \(CSAS\)](#) as well as local Veterans Health Administration offices. In addition, PSAS has created [Clinical Practice Recommendations](#) to guide the appropriate use of PSAS products by VHA clinicians. Due to the clinical evaluations and guidance for these VHA PSAS nationally contracted items, many in the medical industry view those vetted items as the PSAS formulary.

The PSAS clinical teams determine if a product category is appropriate for a single award (only one supplier is contracted) or multiple awards (more than one supplier contracted). Examples of where PSAS contracts to a single supplier due to the interchangeability of the products within the category include:

- Blood pressure monitors for home use
- TENS units and accessories
- Nebulizers
- Hospital Beds for Home Use
- Standard Manual Wheelchairs
- Audible Prescription Reading Devices
- Wheeled Mobility Repair

¹ Based on PSAS data from FY 23. Current amounts probably higher.

- Patient Lift for Home Use
- Pick Up Walkers

In many PSAS managed categories, the clinical needs of veterans are not well served by the single award contracting model. In those instances, PSAS establishes multiple award contracts that meet the clinical needs of veterans and still provide reduced pricing. Examples of PSAS multiple award contracts include:

- Positive Airway Pressure (PAP)
- Hearing Aids and Hearing Aids Repair
- Assistive Speaking Devices
- Artificial Larynges
- Cochlear Implants
- Auditory Osseo integrated Implants
- Assistive Listening Devices
- Artificial Limb Components
- Medical-Surgical Device Implants

In addition, unique authority has been granted by Congress to the Department of Veterans Affairs (VA) under 38 U.S.C. 8123. This authority provides the prescribing VA clinician with some amount of freedom to utilize their clinical judgement to address the specific needs of each veteran patient.

In summary, PSAS has established sound national contracting strategies and clinical practice recommendations. However, due to antiquated processes and systems, the integration of these contracts at the medical center level is fragmented and often disconnected which we address below.

Challenges

A consistent industry observation is that individual VA Medical Center (VAMC) PSAS departments function more as 170 autonomous PSAS procurement programs. Factors that create this impression include:

- *Manual Product Catalog Management:* VHA does not have an enterprise e-commerce ordering system for loading nationally contracted medical products. Instead, as national contracts are awarded, local VAMC staff are responsible for manually inputting the contracted line items into the Item Master File at each of the roughly 170 facilities. Considering that a PSAS category such as implants has hundreds of thousands of contracted codes, this is a sizable manual task. Local VAMCs are not required to load all nationally contracted items, and typically only want to load products that they use at their specific VAMC. This results in an inconsistent benefit for veterans. One supplier suggested that VHA develop a “bulk loading” process to ensure that all VAMCs have all nationally contracted products

loaded. VHA responded that this was possible, however it requires technical knowledge to execute that does not exist across the VHA enterprise.

- *Manual Ordering*: PSAS buyers still use manual ordering (phone/fax) and use the Government Purchase Card (GPC) for payment. Manual ordering allows for significant variances resulting in more open market procurements, less contract compliance, more order errors, more costs to process and manage, higher GPC use, increases credit card risks, increases gray market risks, and reduces enterprise procurement visibility. In addition, for items like surgical implants, a single surgical procedure often includes products that are procured using different funding budgets within VHA (e.g., PSAS for implants and logistics for disposables), resulting in two separate manual orders to a supplier for a single procedure. E-commerce order automation, in contrast to manual ordering, is the gold standard for medical product ordering and is in its third decade of use in the U.S. No U.S. health system uses manual ordering to the extent that VHA does.
- *No Open Market Hurdle*: it is very easy for VAMC PSAS buyers to buy open market items, especially under the micro purchase threshold (\$15,000). If a supplier has a System for Award Management (SAM) registration and accepts the GPC, then they can easily sell into PSAS without a contract.
- *Duplicate Clinical Reviews*: When a medical implant is added to a PSAS National Contract, it first goes through a national level clinical review process to ensure the product meets the needs of veterans. However, current medical center policy requires local VAMCs to go through an additional clinical review of the same products. This is a redundancy that minimizes the value of performing the national clinical review, increases costs for the VA and results in delays for both the VHA and industry. This reinforces the perception of 170 different PSAS programs rather than one enterprise system.

On the national level, PSAS Headquarters (HQ) has a heavy and extremely diverse workload, and their efforts could be integrated more effectively at the VAMC level. Areas of concern include:

- *Staff Resources*: VHA PSAS manages a growing and increasingly complex catalog of products. The bandwidth to properly manage all these categories is considered by many to be too broad. Due to the complexities and breadth of medical products, PSAS would benefit by creating dedicated Program Managers for specific categories (med-surg implants, DME, mobility, etc.).
- *Clinical Staff*: Another challenge is that PSAS does not have the clinical staff to perform the required clinical reviews and uses clinicians borrowed from VAMCs across the country. This takes time away from delivering medical care to veterans at VAMCs. PSAS should have the proper clinical staff at HQ to perform those functions. All these resources should be supported by adequate contracting managers to ensure timely execution of contracts.
- *Lack of e-commerce connection to VAMCs*: This is a critical need since compliance with national contracts is often challenging and minimizes much of the good work

done by PSAS. Manual ordering as described earlier is a prime culprit and fuels fragmented behaviors, as it does not guide buyers to PSAS contracted items. Available proven e-commerce platforms connect buyers at the facility level to the preferred PSAS contracted items and automate those orders, reducing open market spend while providing enterprise data visibility and granularity that manual purchases do not.

- *Lack of Compliance Tools*: The absence of any open market procurement hurdle at the ordering level is an avenue that non-contracted suppliers continue to exploit in the PSAS program.

Recommendations

Strengthen PSAS program HQ (clinical, contracting, and information technology) to create an integrated homogeneous enterprise system that minimizes local workload, inconsistencies, and system costs.

1. **Continue utilizing the PSAS national contract catalog as a functional “formulary,”** recognizing where clinical choice is needed.
2. **Strengthen PSAS HQ staff** to include:
 - a. Dedicated program managers for the diverse categories (DME, implants, mobility, etc.)
 - b. Hire full time clinicians at HQ to expedite clinical reviews and limit using clinicians from VAMCs (example: VA Pharmacy Benefits Management has multiple clinicians on staff)
 - c. Adequate contract resources to manage contracts in a timely fashion
3. **Make PSAS an enterprise system** by eliminating redundancies such as duplicate clinical reviews for products at both the national and local levels. Modernize and adopt an e-commerce system that allows for a one-time enterprise loading of nationally contracted products rather than relying on 170 VAMCs to execute it locally.
4. **Adopt a proven e-commerce ordering platform**, a commercial best practice. The benefits include improved contract management and compliance, lower procurement costs, order tracking, reduced open market purchases including non-Trade Agreements Act products, eliminates GPC for payments, reduces gray market risk, and significantly improves product visibility for the enterprise. These systems have been in use in the commercial market for decades and do not need to be created.
5. **Develop a prior authorization process** for PSAS buyers to access those non-contracted items to insure PSAS contracted items are used first. Open market items should never be as easy to buy as PSAS nationally contracted items.