



## U.S. Department of Veterans Affairs Supply Chain Modernization

**Opportunity** – A critical mission of the U.S. Department of Veterans Affairs (VA) is providing exceptional healthcare to support veterans’ health and well-being. The quality and effectiveness of the VA’s medical supply chain is key to delivering the highest quality of care to those who have served our nation. Members of the Coalition for Government Procurement (Coalition) that provide innovative healthcare products and services to the VA are committed to delivering exceptional healthcare to veterans that meets and exceeds the quality of care offered in the private sector. A significant opportunity exists to modernize the VA medical supply chain so that 1) VA clinicians have access to the most innovative healthcare products available on the commercial market, and 2) that veterans receive the highest quality care timely and at a best value to taxpayers. Modernizing the medical supply chain will also support the VA’s small business programs, like the Veterans First Contracting Program.

**Solution** – Leverage the VA partnership with the Defense Logistics Agency (DLA) to deliver healthcare products and services to the Veterans Health Administration (VHA) through access to the Defense Department’s existing medical supply chain systems. In the near term, work with industry to enhance the VA’s existing contracting programs, including the MSPV program, to meet the immediate healthcare needs of veterans more efficiently and effectively.

**Discussion** – The VA signed an interagency agreement with DLA in August 2019 to centralize the procurement of medical supplies to improve veterans’ care. Specifically, the agreement allowed the VA to leverage DoD’s supply chain system, Defense Medical Logistics Standard Support (DMLSS), to better serve veterans. The VA is piloting the use of DMLSS to order medical supplies at the Captain James A. Lovell Federal Health Care Center in North Chicago and at VA healthcare facilities in Spokane and Seattle. As of December 2020, the VA and DLA have expanded the partnership’s scope to deploy DMLSS across all VISNs nationwide. Our current understanding of the estimated timeline for full deployment of DMLSS is approximately 5 years. In order to ensure that the transition to DMLSS is an efficient one, the Coalition recommends that the VA maximize its engagement with industry (small, medium, and large businesses) to ensure the VA’s suppliers are prepared to meet the needs of VA healthcare facilities during this time.

Coalition members believe that successfully leveraging DMLSS involves a sound integration plan with the VA’s IT systems, a streamlined acquisition strategy that addresses VA procurement requirements, adequate training resources on DMLSS targeted to the VA’s workforce, and transparent, timely communications plan engaging all stakeholders, including the VA’s industry partners. For example, DLA has the tools to support opportunities for small businesses, including service-disabled veteran-owned and veteran-owned small businesses consistent with the VA’s Veterans First framework. DLA contracting programs can and do provide contracting officers with key information regarding socio-economic status for the purpose of ordering.

Until DMLSS is fully deployed, we also recommend that the VA modernize its supply chain by making specific improvements to existing contracting programs, like the Medical/Surgical Prime Vendor (MSPV) program, its use of DLA’s ECAT, and the VA’s Federal Supply Schedule program. At the same time, a

targeted effort should be made to reduce the VA's extensive use of Government Purchase Cards, which amounted to almost \$3.7 billion of *ad hoc* micro-purchases in FY2019 where the VA ordered supplies on the open market instead of through negotiated government contracts.<sup>1</sup> Additional details about our recommendations are outlined below:

- 1. A Clinically-led Sourcing program office is key to the success of VA and DLA Sources of Supply**
  - i. Establish a clinically-led sourcing program that is designed to provide clinician input on the selection of items for the Formulary of Medica/Surgical products
  - ii. Identify a Medical Supply Chain Leader to manage the program who:
    - a. Has actual VA medical supply chain experience and
    - b. Is responsible for clearly and publicly stating program goals and formulary management, including program oversight and leadership in regards to product standardization decisions
  - iii. Provide a single point of contact with clinical experience for industry to share the latest healthcare developments and technologies
  - iv. Provide industry visibility to the targeted medical product categories
  - v. Implement a transparent process by which commercial products are evaluated and industry is provided advance notice and information about product reviews
- 2. Enterprise-wide Transition to DMLSS**
  - i. Partner with DLA leadership to facilitate the effective and efficient implementation of DMLSS and/or use of DLA contracts, as appropriate
  - ii. Recognize and implement the key elements necessary for a successful implementation, including sufficient resources and training for organizations and individuals within the VA about how to use the new system; a sound acquisition plan for transition from VA sources of supply to DLA sources of supply, including addressing VA specific requirements; and a communications plan addressing all stakeholders, including its industry partners (small, medium, and large business)
  - iii. Build on the VA's engagement with its industry partners by providing regular communications and updates on DMLSS implementation (*e.g.*, timeline, target locations, and implications for VHA operations)
    - a. Benefits:
      1. DMLSS implementation will provide the VA with access to the latest technology for ordering, distribution, and payment for the latest healthcare products at discounted prices
      2. Enhanced communications with industry will lead to:
        - a. Better performance and execution from VA industry partners who are well informed and prepared to support DMLSS orders
        - b. Greater efficiency and performance from industry partners that maintain supplies for VA facilities through concurrent contracts, like the MSPV Formulary, during the DMLSS transition
- 3. As the DMLSS system is deployed, improve VA's existing contracting programs by:**
  - i. Developing a targeted strategy to reduce use/abuse of GPCs:

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<sup>1</sup> See GSA SmartPay Purchase Card Statistics Report for FPDS 2019, available at <https://smartpay.gsa.gov/content/gsa-smartpay-purchase-card-statistics-reports-fpds>

- a. Establish enterprise metrics to limit GPC for supplies (excluding implants) to no more than 10% of med-surgical spend
      - 1. The goal is to drive VA to use 21st century procurement methods, such as Government systems that adhere to Federal regulations, and ensure a secure supply chain
    - b. Expand the MSPV Formulary, as described below
    - c. Streamline ECAT, as described below
- ii. Enhancing the MSPV Formulary: The MSPV formulary is the keystone to the VA's clinically-driven sourcing program and is applicable to the VA's use of VA and DLA sources of supply. As noted above, the key to the success of the formulary is the leading role clinicians play in establishing the baseline requirements for medical/surgical equipment and products. In addition, the VA should:
  - a. Expand the MSPV Formulary by allowing industry partners to provide full portfolios of products (*e.g.*, sizes)
    - 1. Benefits:
      - i. Increased usage of the Formulary versus open market buys via government purchase card (GPC)
      - ii. Reduced need for local contracting for procurements
      - iii. Improved data upon which to make clinically-led sourcing decisions around standardization and product mix
- iii. Streamlining Electronic Catalogue (ECAT) Orders: The ECAT system increases efficiency and reduces transactional costs through the use of EDI and eliminates the use of the GPC for medical products that are not appropriate for the MSPV program. At the same time, additional investments are needed to support contracting staff in the award of ECAT contracts to better take advantage of existing efficiencies at the order level
  - a. Maximize the efficiency and effectiveness of ECAT for products sold on a direct basis only by vendors (and for all product purchases below the micro-purchase threshold that are not offered under the MSPV Formulary) through investments in contracting resources to support the award and administration of ECAT contracts. Currently, although modifications to existing contracts to add products work relatively well, the lag in underlying contract awards needs to be addressed
  - b. Streamline the ECAT order process for purchases below the micro-purchase threshold of \$10,000 by eliminating both the "checklist" and the contracting involvement required on each and every ECAT micro-purchase
    - 1. Benefits:
      - a. Decreased use of GPCs for products available through ECAT
      - b. Improved data due to purchases made through EDI versus GPCs
- iv. Increasing the Efficiency and Effectiveness of the Federal Supply Schedules (FSS):
  - a. Update the VA FSS pricing policies consistent with GSA's Schedules program
  - b. Partner with GSA to adopt a web-based application for the electronic preparation and submission of FSS contract proposals and modifications
    - 1. Benefits:
      - a. Reduced cost of contracting for both government and industry
      - b. More rapid availability of innovative healthcare products and services for veterans

- v. Ensuring that Veterans have access to world-class innovation through the Strategic Acquisition Center (SAC) Surgical Implants IDIQ
  - a. Prioritize the availability of the latest innovations in biological and non-biological implant technologies through the IDIQ
  - b. Update clinical input processes and procedures to ensure that the latest FDA-approved biological and non-biological implants can be added to the IDIQ during COVID-19 and other national emergencies
  - c. Ensure that payment procedures for surgical implants are efficient, effective and provide timely access to patient care, consistent with the Section 8123 authority
- vi. Continuing a Culture of Partnership and Open Dialogue with Industry
  - a. Prioritize open communications with the healthcare industry to ensure that industry is educated about how it best can support the VA, and that the VA, and ultimately veterans, have access to the latest medical technologies and innovation
  - b. Seek alternative methods of facilitating the exchange of information about the latest advancements in pharmaceutical treatments at the VISN level during COVID-19
    - 1. Benefits:
      - a. A more informed, efficient, and effective medical supply chain
      - b. Awareness and availability of the latest medical and pharmaceutical treatments to VA clinicians, which is critical to achieving the VA's goal of providing world-class healthcare to veterans