

January 31, 2003)

HEALTH CARE EQUIPMENT

1. **PURPOSE:** This Veterans Health Administration (VHA) Directive defines the VHA consolidated equipment acquisition process.
2. **BACKGROUND:** VHA medical centers and Veterans Integrated Service Networks (VISNs) have generally made local decisions on the timing and execution of major medical equipment purchases. While accommodating local situations, this practice has prevented the Department of Veterans Affairs from achieving maximum market leverage. The Secretary of Veterans Affairs' Task Force on Procurement Reform called for VHA to consolidate the equipment acquisition process.
3. **POLICY:** It is VHA policy that each VISN must establish an Equipment Committee to develop and review all equipment requirements for major medical equipment requests over \$250,000 and to standardize requirements between facilities to the maximum extent practicable.

4. **ACTION:** VISN Equipment Committee is responsible for:

- a. Developing, reviewing and applying capital asset planning criteria to all requests for major equipment purchases generated by facilities. Major Equipment is defined as equipment costing over \$250,000. Membership of the VISN Equipment Committees will include Clinical, Biomedical Engineering and Logistics representation.

- b. Ensuring that all appropriate equipment requests are forwarded to the Veterans Affairs National Acquisition Center (NAC) for consolidated procurement action as defined in attachment A of this Directive

- c. Ensuring that items costing over \$1 million per individual item will go to VHA Central Office (10N) for approval through the Capital Investment Process (CIP) that is coordinated with the Office of Asset Enterprise Management (004B). **NOTE:** *Picture Archival Communications (PAC) Systems are processed through the information technology approval process.* Applications must be accompanied by a Cost Effectiveness Analysis (CEA) describing four alternatives that typically include: Status Quo, Purchase, Lease, and Contract Out. A CEA template and other documentation requirements for submission of CIP proposals are available on the VISN Support Service Center (VSSC) web site at: <http://klfmenu.med.va.gov/> ; select Capital Programs from the top of the page and see the section labeled Equipment. Items costing between \$250,000 and \$1 million per individual item will employ a similar approval process controlled through the local VISN. Analysis will be abbreviated and may not necessarily include all four alternatives in a Cost Effectiveness Analysis at this level. Committees will also attempt to standardize requests between facilities to the maximum extent practicable and recommend equipment items for purchase to the VISN Director for approval. Once purchase recommendations are approved by the VISN Director, the process in attachment A will be followed for items purchased by the NAC. Items not purchased by the NAC are to be aggregated and purchased at the VISN level.

5. **REFERENCES:** None.

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6. FOLLOW-UP RESPONSIBILITY: The VHA Office of Clinical Logistics is responsible for the contents of this Directive. Questions may be directed to 202-273-5680.

7. RECISSIONS: None. This VHA Directive expires January 31, 2008.

S/ Nevin Weaver for
Robert H. Roswell, M.D.
Under Secretary for Health

Attachments

DISTRIBUTION: CO: E-mailed 2/04/03
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ATTACHMENT A

EQUIPMENT PROCUREMENT PROCESS

1. Procurement Objectives

- a. Maximize the Department of Veterans Affairs' (VA) leverage with industry to obtain the lowest possible prices.
- b. Eliminate duplication of effort from VA negotiations with vendors.
- c. Provide competitive pricing and technical information to support clinician-driven best-value selection.
- d. Integrate Veterans Health Administration (VHA), Capital Investment Process (CIP) and National Acquisition Center (NAC) needs and functions into a single standardized process.
- e. Replace end-of-fiscal-year rush with advance planning and budgeting to the maximum extent possible.
- f. Ensure that all vendors are given a fair opportunity to compete for VA business as required by Federal Acquisition Regulation (FAR).

2. Action

a. **Step One:** Veterans Integrated Service Networks (VISNs) must define specifications based on clinical requirements and work with vendors to obtain the desired equipment configuration based on technical capability. For projects estimated at or above \$1 million, a copy of the vendor's written quote will be included in the CIP submission package to establish the initial price estimate. When appropriate, these initial quotes will reflect any VISN aggregated leverage proposed.

b. Step Two

(1) The VISNs must submit to the NAC all requisitions for the following categories of medical equipment to be consolidated, except for those at or below the contractually-delegated local purchase thresholds shown. Purchases below these thresholds are exempt from this consolidation procedure.

<u>Equipment Type</u>	<u>Local Purchase Threshold</u>
Computerized Axial Tomography (CAT) and Magnetic Resonance Imaging (MRI)	\$250,000
Radiation Therapy	\$50,000

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<u>Equipment Type</u>	<u>Local Purchase Threshold</u>
Diagnostic Ultrasound include complete systems	\$50,000 for upgrades and accessories; does not
X-ray, includes Computed Radiography and Digital Radiography	\$25,000
Nuclear Medicine	N/A

(2) Included in each requisition package will be the vendor quote for the desired configuration, with any desired options clearly identified as intended to be included in the purchase. The requisition will be funded to the net equipment price shown on the vendor quote plus a NAC surcharge in accordance with Supply Fund policy.

(3) A copy of the Integrated Funds Distribution, Control Point Activity, Accounting and Procurement (IFCAP) obligation document, showing the NAC as the vendor, will be included in the requisition package. Any desired training, extended installation or trade-ins will be noted in the requisition package or, preferably, shown on the vendor quote.

(4) For projects estimated at or above \$1 million, this step will occur after receipt of first-step CIP approval.

c. Step Three

(1) Three times per year, NAC must aggregate all requisitions on hand, including Other Government Agencies (OGA) requests where practical, and seek consolidated pricing from vendors as follows.

<u>For requisitions received:</u>	<u>Award shall be made by:</u>
Oct 1 – December 1	March 31
December 2 – March 1	June 30
March 2 – June 1	September 30

NOTE: Due to funding regulations, no requisitions for consolidation may be submitted between June 2 and September 30.

(2) At each cut-off date the NAC will compile a listing of all on-hand requisitions and send a request for pricing to all vendors who sell the types of equipment on the list. This guarantees all vendors are afforded a fair chance to compete. The request shall be sent out on a brand name or equal basis; the vendor quotation provided by the station in its requisition package will serve as the “brand name or equal” description for that equipment. For this reason, the equipment configuration may not be changed prior to award of the delivery order.

(3) Pricing will be requested for each piece of equipment on an individual line-item basis, and an additional discount percentage will be requested for all levels of multiple purchases.

(4) Example

(a) The submitted equipment request for the first period consists of three CAT scanners and one X-ray mammography system.

(b) The NAC must send a letter to all of its CAT and X-ray contractors who have mammography systems on contract. The letter asks vendors to quote their best pricing for the systems in accordance with the terms of their existing contract. The letter further states that vendors who do not respond shall not be considered for award.

Item 1. CAT scanner for VA Medical Center A. Must be equivalent in functionality to the brand-name description at Attachment 1. Price for 1 ea \$ _____

Item 2. CAT scanner for VA Medical Center B. Must be equivalent in functionality to the brand-name description at Attachment 2. Price for 1 ea \$ _____

Item 3. CAT scanner for VA Medical Center C. Must be equivalent in functionality to the brand-name description at Attachment 3. Price for 1 ea \$ _____

Item 4. Mammography System. Must be equivalent in functionality to the brand-name description at Attachment 4. Price for 1 ea \$ _____

Item 5. Additional Discount for Multiple Line Items. Multiple systems in this context means any two or more of the line items listed in this pricing request. Quote the additional percentage of discount from the equipment list price that may be taken if:

Any two line items are bought _____ %
Any three line items are bought _____ %
All four line items are bought _____ %

d. **Step Four:** On receipt from the vendors, line-item prices and quoted equipment configurations will be provided by the NAC to the requesting VISN. The VISN will be given 3 weeks for its Equipment Committee to make a best-value selection among all vendor choices. The VISN's decision and justification will be provided to the NAC. If the response deadline is not met, the lowest-priced system will be awarded. Valid factors for best-value selection from the NAC contracts are:

- (1) Price.
- (2) Past performance.
- (3) Quality.
- (4) Availability of reliable service to the hospital and/or using facility.
- (5) Availability of features required by the hospital and/or using facility.

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(6) Ability of the contractor to meet specified delivery times.

(7) Ability of the offered equipment to meet the Veterans Health Information System and Technology Architecture (VistA) Modality Interface DICOM Conformance Requirements, when required by customer.

e. Step Five

(1) The NAC collects all VISN selections and determines the applicable additional discount percentages. If any of the requisitions in the consolidated pricing request require CIP approval, the results of the consolidated pricing request shall be concurrently forwarded by the NAC to the VHA Office of Clinical Logistics and the Office of Asset Enterprise Management (OAEM). The NAC's report will provide the equipment prices, trade-in values, and savings achieved through consolidation.

(2) All delivery orders whose price may be affected pending a CIP approval decision must be placed concurrently (e.g., if there are five systems for Philips and Station A's requires CIP-approval, none of the five orders can be placed until the CIP decision is received for Station A's request).

f. **Step Six:** OAEM notifies the NAC and the VISN of the CIP approval or disapproval of all projects covered by the consolidated pricing request within 2 weeks. If approval is not received, the disapproved project (s) must be returned to the appropriate VISN, and the NAC will order the remaining system with prices appropriately recalculated.

g. **Step Seven:** The NAC must place the delivery orders, and notify the VISN(s) of any excess funds that may be de-obligated.

3. Emergency Purchases

a. Emergency requests may be submitted without regard to the normal deadlines to be individually fulfilled against the IDIQ contracts. While the best pricing will be pursued, it is understood that these requirements will not be aggregated with normal-priority requisitions.

b. Emergency requests must be submitted to the VHA Office of Clinical Logistics (10F) or designee for concurrence prior to submission to the NAC for procurement. The VHA Office of Clinical Logistics shall be the agent for approving the emergency determination and obtaining the concurrence of the Deputy Under Secretary for Health Operations and Management (10NB). A copy of the approved emergency determination must be included in the requisition package provided to the NAC.

4. Schedule for Processing Consolidations (Third Period Example)

a. **June 1.** Cutoff for requisitions to be received at the NAC.

b. **June 7 (within 1 week from cutoff).** Letter goes to vendors, requesting pricing of all equipment on hand.

c. **July 7 (30 days from letter).** Response due from vendors. *NOTE: Vendors require 30 days to prepare responses in order to compile configurations from brand name or equal descriptions of competitors' products.*

d. **July 14 (within 1 week from receipt).** Vendor offers sent to VISN's to evaluate and make selection.

e. **August 7 (3 weeks).** VISN best-value selections and justifications must be received at the NAC.

f. **August 14 (1 week after selections received).** The NAC sends pricing information to VHA Office of Clinical Logistics (OCL) and the Office of Asset Enterprise Management (OAEM).

g. **August 28 (2 weeks).** OAEM response on 2nd step CIP approval due to the NAC.

NOTE: The NAC needs the last month of the Fiscal Year (FY) to recalculate prices (if necessary) and prepare orders. There are likely to be emergency orders and Other Government Agencies (OGA) orders not subject to consolidation to process during this time as well.

h. **September 30 (Last day of period).** All orders for the period are completed by this date.