

The Office of Management

The Office of the Assistant Secretary for Management oversees all resource requirements, the development and implementation of agency performance measures, and financial management activities relating to VA programs and operations. Responsibility also includes a Departmental accounting and financial management system that provides for management, cost, budgeting, and accounting information. In addition, the office oversees the Department's acquisition and materiel management activities, including development and implementation of policies and regulations. Major initiatives accomplished in the Office of Management during the Clinton Administration are as follows.

Electronic Commerce/Electronic Data Interchange

In October 1993, President Clinton signed a memorandum to improve the Federal Government procurement process through electronic commerce (EC). Through development of EC/Electronic Data Interchange (EDI)/Electronic Funds Transfer payment capabilities, VA continued its successful track record of processing invoices, receiving reports, and vendor payments electronically as well as increasing the number of payees receiving electronic salary, travel, and benefit payments.

Acquisition and payment procedures for purchases under \$2,500 (micro-purchases) on the Government credit card were streamlined. Over 97 percent of micro-purchase transactions are now placed on the credit card. The success of this program was further improved by an internally developed Credit Card System (CCS) and electronic reconciliation procedures which integrate with VA's corporate accounting system. This provides an all-electronic procurement and payment process for all purchase card transactions, which has earned VA over \$34 million in rebates since its inception in FY 1996 (\$10 million in rebates in FY 1999 and \$13 million in FY 2000). The CCS also converted approximately 71 percent of VA's micro-purchase paper invoices and payments to electronic commerce, thereby eliminating over 1.1 million paper invoices.

VA integrated an EDI vendor invoice process and document imaging system with the Departmental core accounting system. This eliminated over 1 million paper invoices and brought a totally paperless financial operation to the Department.

VA implemented a prime vendor payment system to facilitate the daily electronic processing of prime vendor invoices. Using CCS, VA accepts a daily transaction file that is automatically posted to the Departmental accounting system, which remits an electronic payment to Citibank for all processed transactions. As of June 2000, the Department successfully processed over 300,000 transactions (totaling over \$1.3 billion).

Continuing EC expansion has created a nearly paperless environment with an entirely electronic business cycle environment at our Financial Services Center in Austin, TX.

Franchise Fund Pilot Program

Similar to a working capital fund, franchising is a concept embodied in the Government Management Reform Act of 1994. The goal of franchising is to streamline duplication of services and move organizations toward a more business-like approach for its activities by placing select common administrative services into fee-for-service franchises. As one of only six pilot agencies authorized by OMB and Congress, VA began Franchise Fund operations in October 1996. Receiving no appropriated funding, Franchise Fund activities (Enterprise Centers) have operated entirely on gained revenues. The Enterprise Centers deliver a wide range of services such as secure records storage, financial services, and debt management. The Fund operates on a no-year basis (i.e., funds can be carried over from one fiscal year to future fiscal years), and businesses in the Fund may retain up to 4 percent of gross annual revenues in a no-year capital account.

VA Enterprise Centers have achieved cost savings for its customers--both internal and external organizations--through operating efficiencies and unit price reductions. The Fund's revenues increased from \$59 million in FY 1997 to over \$120 million in FY 2000.

Streamlined Reports

VA assumed a leadership role in streamlining ten statutorily required reports mandated by Congress through legislation. These include the CFO Annual Report; Agency CFO Financial Management Status Report and Five-Year Plan; OMB CFO Financial Management Status Report and Five-Year Plan; Federal Managers Financial Integrity Act Report; Management Report of Final Action (Audit Follow-up Report); Civil Monetary Penalties Report; Prompt Payment Act Report; Strategic Plan; Annual Performance Plan; and Annual Performance Report.

In 1994, a Chief Financial Officers Council (CFOC) project team, led by VA, developed the *Accountability Report* concept. This report would provide the public, Congress, and agency managers with a single, user-friendly, integrated report on agency management and program performance. In January 1995, again with VA at the lead, a pilot test of this report was conducted. The CFOC's goal was to end the undisciplined expansion of mandated reporting requirements resulting in needless cost and little added benefit.

VA issued its first *Accountability Report* in FY 1995, becoming the first Government agency to present a comprehensive picture of its performance in carrying out its stated goals and objectives in a single report. The *Accountability Report* incorporated the Department's strategic and performance plans, mission accomplishments, audited financial statements, status of management controls, and a summary of the Inspector General's findings.

In FY 1999, the *Accountability Report* included VA's first Performance Report, which ties back to VA's performance and strategic plans. Also included were the audited financial statements from the Inspector General, which highlight receipt of an

unqualified (clean) audit opinion on the Department's Consolidated Financial Statements for FY 1999 and FY 1998.

Debt Management

In 1998, VA fully implemented a project to refer first-party medical debt over 90 days delinquent to our Debt Management Center (DMC) for offset against VA benefit payments. As of August 2000, the DMC offset over 182,000 payments totaling over \$11.1 million against delinquent medical debts. The total cost of this service was \$615,795, which equates to a collection rate of \$18 for every dollar spent.

As of September 1999, total debt owed VA was reduced to \$3.3 billion, down from \$3.7 billion in September 1998. During this same period, delinquent debt was reduced from \$1.5 billion to \$1.1 billion, and debt more than 180 days delinquent declined from \$1.3 billion to \$0.94 billion.

Procurement Initiatives

In the field of health care, VA awards and administers contracts worth billions of dollars for medical equipment, pharmaceutical products, information technology, prime vendor programs, services, and medical supplies. A major initiative has been the consolidation of pharmaceutical requirements into national contracts. VA estimates its cumulative savings in pharmaceutical expenditures to total \$654 million since 1996, solely through the use of its national contracts.

The Congressional Commission on Service Members and Veterans Transition Assistance Report recommended that Congress enact legislation to require the Department of Defense (DoD) and VA to "establish a joint DoD/VA procurement office to purchase, in the most cost-effective manner possible, VA/DoD pharmaceuticals as well as medical/surgical supplies and equipment." Based on this report, in December 1999, VA entered into a Memorandum of Agreement (MOA) with DoD to combine the purchasing power of the two Departments and eliminate redundancies. The MOA has two appendices--one dealing with pharmaceuticals, the second encompassing medical and surgical supplies. A third appendix, dealing with high-tech medical equipment, is under consideration.

The Federal Acquisition Streamlining Act of 1994 (FASA) and The Clinger-Cohen Act of 1996 (originally called the Federal Acquisition Reform Act) each brought significant changes and improvements to the Government acquisition process. Based on these Acts, VA has made great strides in the area of procurement reform over the past 8 years. FASA established commercial item acquisition procedures that have greatly simplified and expedited the acquisition process. These procedures have allowed contracting officers to shorten acquisition lead times and enabled them to provide needed goods and services to customers faster and at less cost. Acquisition documents and specifications have been simplified and are less complicated. Almost

all goods and services VA procures (excluding construction) are commercial items, so VA has made extensive use of this new authority to streamline its acquisition processes.

Department of Veterans Affairs Discretionary Programs Under the Clinton Administration

Since 1993, VA has done its part to achieve a balanced budget and to change the deficit-driven policies of the past. We have reduced FTE levels by 28,000 – well beyond the streamlining plan. The Administration's requests for veterans' health care have been essentially straightlined for FY 1997 through FY 2000 as negotiated under the Balanced Budget Act of 1997, Public Law 103-55. We have right-sized, cut back, done more with less, and reallocated resources to accommodate the changing needs of those we serve through many innovative achievements. The following table is a highlight of VA's discretionary programs under the Clinton Administration.

**Department of Veterans Affairs
Discretionary Programs Under Clinton Administration
\$ in millions**

	1993				1994			
	OMB Request	President's Request	Enacted	FTE Actual	OMB Request	President's Request	Enacted	FTE Actual
Medical Care	\$15,316	\$14,565	\$14,646	204,527	\$16,629	\$15,643	\$15,640	203,884
Other Discretionary	2,618	1,723	2,055	29,669	2,840	1,875	2,058	29,178
Total Discretionary	\$17,934	\$16,288	\$16,701	234,196	\$19,469	\$17,518	\$17,698	233,062
	1995				1996			
	OMB Request	President's Request	Enacted	FTE Actual	OMB Request	President's Request	Enacted	FTE Actual
Medical Care	\$17,143	\$16,122	\$16,148	200,448	\$17,893	\$16,961	\$16,543	195,153
Other Discretionary	2,057	1,689	1,998	28,039	2,490	2,284	1,763	26,702
Total Discretionary	\$19,200	\$17,812	\$18,146	228,487	\$20,383	\$19,245	\$18,306	221,855
	1997				1998			
	OMB Request	President's Request	Enacted	FTE Actual	OMB Request	President's Request	Enacted	FTE Actual
Medical Care	\$17,642	\$17,008	\$17,013	186,135	\$17,512	\$17,550	\$17,724	184,768
Other Discretionary	2,101	1,896	1,853	25,372	2,012	1,156	1,171	22,298
Total Discretionary	\$19,743	\$18,904	\$18,866	211,507	\$19,525	\$18,705	\$18,895	207,066
	1999				2000			
	OMB Request	President's Request	Enacted	FTE Actual	OMB Request	President's Request	Enacted	FTE Estimate
Medical Care	\$17,685	\$17,705	\$17,846	182,661	\$19,277	\$18,055	\$19,526	180,510
Other Discretionary	1,242	1,190	1,364	22,886	1,334	1,178	1,332	23,605
Total Discretionary	\$18,927	\$18,895	\$19,211	205,547	\$20,611	\$19,234	\$20,859	204,115
	2001				Difference from 1993 (Base-Year)			
	OMB Request	President's Request	Enacted	FTE Estimate	OMB Request	President's Request	Enacted	FTE Estimate
Medical Care	\$21,795	\$20,890	\$0	179,206	\$6,479	\$6,325	\$0	-25,321
Other Discretionary	1,999	1,473	0	24,146	-619	-250	0	-5,523
Total Discretionary	\$23,794	\$22,363	\$0	203,352	\$5,860	\$6,074	\$0	-30,844

Major Initiatives of the Office of Management During the Clinton Administration

Overview of Office:

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Administrative/Leadership Changes:

At the beginning of the Clinton Administration, this office was known as the *Office of Finance and Information Resources Management (IRM)*. In September 1993, the Assistant Secretary for Finance and IRM—the designated Chief Financial Officer (CFO) for the Department—was also designated as VA's Chief Information Officer (CIO) by the then-Secretary, Jesse Brown.

In January 1995, Secretary Brown approved an internal realignment of certain organizational functions within VA in an effort to make more efficient use of available resources and to implement National Performance Review (NPR) initiatives. This change in structure included abolishing the position of Assistant Secretary for Acquisition and Facilities, and realigning the Office of the Deputy Assistant Secretary for Acquisition and Materiel Management under Finance & IRM. The name of the organization was then retitled *Office of Management*. The realignment enabled the Department to more efficiently coordinate the development of its business plan by aligning the budget, procurement, and information management programs under one Assistant Secretary.

In July 1998, the then-Secretary Togo D. West, Jr. approved the separation of the duties of the CIO from the CFO as a result of discussions within the Administration, a review of the Information Technology Management Reform Act (Clinger-Cohen), and views expressed by Congress. A new Assistant Secretary position was created to assume the duties of the CIO.

In January 1999, Secretary West redesignated the *Office of Management* as the *Office of Financial Management* to reflect one of the main functions of the organization.

In August 2000, the Acting Secretary, Hershel W. Gober, reverted the office title back to the *Office of Management*.

Major initiatives accomplished in the Office of Management are as follows.

Electronic Commerce/Electronic Data Interchange

In October 1993, President Clinton signed a memorandum to improve the Federal government procurement process through electronic commerce (EC).

Through development of EC/Electronic Data Interchange (EDI)/Electronic Funds Transfer (EFT) payment capabilities and aggressive promotional efforts, VA continues its successful track record of processing invoices, receiving reports, and vendor payments electronically as well as increasing the number of payees receiving electronic salary, travel, and benefit payments. VA accomplishments include:

- Developed a comprehensive EC Strategic Plan that detailed integrated procurement and finance solutions including EDI, expanded purchase card use, and electronic payment improvements.
- Streamlined acquisition and payment procedures through expanded use of purchase cards for purchases under \$2,500 (micro-purchases). Starting with just 1 percent of the Department's micro-purchases on cards in FY 1995, increased VA's utilization of the card for such purchases to over 97 percent of such transactions today. Usage by VA's 34,000 cardholders represents approximately 2 million electronic transactions and over \$1 billion in goods and services. The success of the purchase card program was further improved by implementation of VA's Credit Card System (CCS) and electronic reconciliation procedures which integrate with VA's corporate accounting system. This provides an all-electronic procurement and payment process for all purchase card transactions, which has earned VA over \$34 million in rebates since its inception in FY 1996 (\$9.3 million in rebates in FY 1999 alone). FY 2000 rebates are estimated to be in excess of \$12 million. VA's CCS also converted approximately 71% of VA's micro-purchase paper invoices and payments to electronic commerce, thereby eliminating over 1.1 million paper invoices.
- As of June 2000, issued over 76% of all VA payments electronically (over 77% when purchase card payments are included).
- Implemented the new GSA SmartPay Master Multiple Award contract for purchase, travel, and fleet card services. This new program provides a daily invoice for purchase, prime vendor, and centrally billed travel transactions.
- Implemented an electronic data interchange vendor invoice process and document imaging system integrated with VA's core accounting system. This eliminated over 1 million paper invoices and brought a totally paperless financial operation to the Department.
- Implemented a large-scale payment order/remittance advice production process, called the EDI Remittance Advice Transaction, using a standard disbursement interface with the Department of the Treasury. This standard interface enables

VA to utilize the Corporate Trade Exchange EFT payment method. VA was the first civilian Federal agency to fulfill an NPR requirement for use of standard electronic business documents to improve efficiency and reduce costs.

- Implemented a one-day fully electronic invoicing and payment business cycle for centrally billed travel.
- Implemented an automated travel management system for VA headquarters and an automated electronic time and attendance system across VA, making previous manual processes paperless and electronic. Currently, VA is further automating travel requirements through a new VA e-travel system.
- Increased the participation rate for employee salary direct deposit (DD)/EFT from 83% in FY 93 to 98.8% in FY 99. DD/EFT for compensation/pension beneficiaries increased from approximately 50% to 78.4% during this same time period.
- Processed over 4.2 million invoices with a value of \$7 billion under the Prompt Payment Act during FY 1999. The on-time percentage rate was 95%.
- Implemented a prime vendor payment system to facilitate the daily electronic processing of prime vendor invoices. Using the internally developed CCS, VA accepts a daily transaction file that is automatically posted to the Departmental accounting system, which remits an electronic payment to Citibank for all processed transactions. As of June 2000, the Department successfully processed over 300,000 transactions (totaling over \$1.3 billion).

VA continues its EC expansion resulting in a nearly paperless environment with an entirely electronic business cycle environment at our Financial Services Center in Austin, TX.

Franchise Fund Pilot Program

Similar to a working capital fund, franchising is a concept embodied in the Government Management Reform Act (GMRA) of 1994. The goal of franchising is to streamline duplication of services and move organizations toward a more business-like approach for its activities by placing select common administrative services into fee-for-service franchises. In 1996, VA obtained OMB approval to participate in the Franchise Fund Pilot Program, allowing VA to establish a fee-for-service Franchise Fund to provide common administrative services to internal and external customers.

VA accomplishments include:

- Began Franchise Fund operations in October 1996. Since then, six lines of business (Enterprise Centers) have been the entrepreneurial organizations of VA's Franchise Fund. The Enterprise Centers deliver a wide range of services,

including automated data processing business solutions, secure records storage, security investigations, law enforcement training, payroll and financial services including a full suite of electronic commerce services, and debt management services. These six Centers, formerly on appropriated budgets, now fund their operations solely through the collection of fees for identified products and services (fees include all costs and expenses including depreciation expenses). The Fund operates on a no-year basis (i.e., funds can be carried over from one fiscal year to future fiscal years), and businesses in the Fund may retain up to 4 percent of gross annual revenues in a (no-year) capital account (the depreciation portion of the fee structure is also retained in this account).

- Established a customer Franchise Fund Board of Directors and charter, and an Enterprise Fund Office to oversee the financial and operational aspects of the Fund.
- Engaged a private certified public accountant firm to perform the first audit on the Fund's FY 1998 financial statements. VA's Office of Inspector General provided oversight and served as the Contracting Officer's Technical Representative on the contract. VA's Franchise Fund received an unqualified audit opinion for both FY 1998 and FY 1999, validating VA's new way of doing business. Furthermore, no material weaknesses or non-compliance with laws or regulations were found as a result of the FY 1999 audit.
- Achieved cost savings for customers through operating efficiencies and unit price reductions. Also expanded cross-servicing efforts with organizations external to VA.
- Established policies for operating Fund reserve levels; "useful life" timeframes for assets; flexible pricing; and centralized monthly revenue and expense tracking reports.
- Conducted a Web-based customer survey for all Enterprise Centers. Overall, the Centers scored customer satisfaction rates above the benchmarks of a private sector database.
- Through external sales and adding additional business lines, increased the Fund's revenues from \$59 million in FY 1997 to over \$100 million in FY 2000.

Streamlined Reports

VA assumed a leadership role in streamlining ten statutorily required reports mandated by Congress through legislation. These include the CFO Annual Report, Agency CFO Financial Management Status Report and Five-Year Plan, and the OMB CFO Financial Management Status Report and Five-Year Plan required by the CFO Act of 1990; the Federal Managers Financial Integrity Act Report required by the Federal Managers Financial Integrity Act of 1982; the Management Report of Final Action (Audit Follow-up

Report) required by the Inspector General Act of 1978 (amended); the Civil Monetary Penalties Report required by the Federal Civil Penalties Inflation Adjustment Act of 1990; the Prompt Payment Act Report required by the Prompt Payment Act of 1982 (amended 1988); and the Strategic Plan, Annual Performance Plan, and Annual Performance Report required by the Government Performance and Results Act of 1993.

VA accomplishments include –

- In 1994, a Chief Financial Officers Council (CFOC) project team, led by VA, developed the *Accountability Report* concept. This report would provide the public, Congress, and agency managers with a single, user-friendly, integrated report on agency management and program performance.
- In January 1995, again with VA at the lead, the CFOC and OMB proposed and Congress agreed to conduct a pilot test of this report. VA and the five additional original pilot agencies were allowed to determine the specific form and content of congressionally mandated reports to be included in the report. The CFOC's goal was to end the undisciplined expansion of mandated reporting requirements resulting in needless cost and little added benefit.
- Issued its first *Accountability Report* in FY 1995, becoming the first Government agency to present a comprehensive picture of its performance in carrying out its stated goals and objectives in a single report. The *Accountability Report* incorporated the Department's strategic and performance plans, mission accomplishments, audited financial statements, status of management controls, and a summary of the Inspector General's findings.
- In 1996, improved public access to VA's *Accountability Report* by making it available on VA's Web site.
- In FY 1999, VA further streamlined its legislatively required reporting by incorporating the former stand-alone *Secretary of Veterans Affairs Annual Report* into the *Accountability Report*. This effort reduced the amount of data, number of charts and graphs, and overall number of printed copies. It also included VA's first Performance Report which ties back to VA's performance and strategic plans. The Department's *Annual Accountability Report* included the audited financial statements from the Inspector General which highlight receipt of an unqualified (clean) audit opinion on the Department's Consolidated Financial Statements for FY 1999 and FY 1998. This opinion reversed the qualified opinion issued on the FY 1998 Consolidated Financial Statements and verified VA's compliance with President Clinton's mandate.
- Separate from the Reports Streamlining initiative, reduced production and distribution costs for financial reports by: converting reports to microfiche; reducing the frequency and number of pages included in reports; eliminating reports; and using other storage and retrieval media such as electronic transmission and on-line

viewing at customer sites. Eliminated over 50% of financial policy directives over a 2-year period, meeting the goal of the National Performance Review and Executive Order 12861 one year ahead of schedule.

Debt Management

VA accomplishments include -

- In April 1998, we fully implemented a project to refer first-party medical debt over 90 days delinquent to our Debt Management Center (DMC) for offset against VA benefit payments. As of August 2000, DMC offset over 182,000 payments totaling over \$11.1 million against delinquent medical debts. The total cost of this service was \$615,795, which equates to a collection rate of \$18 for every dollar spent.
- Awarded a contract in June 1998 to provide collection services for all VA medical facilities nationwide for third-party claims. Facilities can now refer third-party claims over 90 days old to the contractor for follow-up activities.
- As of July 31, 2000, the contractor collected over \$37 million for a total cost of less than \$1.8 million, equating to a collection rate of \$22 collected for every dollar spent.
- As of July 2000, referred nearly 37,000 debts valued at \$192 million to consumer credit-reporting agencies.
- As of September 1999, reduced total debt owed VA to \$3.3 billion, down from \$3.7 billion in September 1998. During this same period, delinquent debt was reduced from \$1.5 billion to \$1.1 billion, and debt more than 180 days delinquent declined from \$1.3 billion to \$0.94 billion.
- Referred debts more than 180 days delinquent to the Department of the Treasury for offset under the Treasury Offset Program. Of the \$329 million potentially eligible for offset in December 1999, the Department has referred almost 76% (\$250 million).
- Realigned the DMC in FY 2000, within the Department's Chief Financial Officer's organization. The DMC handles approximately 80% of all VA debt over 180 days delinquent and eligible for cross-servicing, and generates \$10 in cash collections for every dollar spent. It also employs all available collection tools to reduce the number of delinquent debts.
- In FY 2000, purchased and implemented a payment processing system at the DMC which eliminates the need for contractor support and results in reduced costs and a more effective method of processing payments.

VA/DoD Memorandum of Understanding

Introduction: VA is delegated by the General Services Administration to establish Federal Supply Schedule (FSS) contracts for health-care related commodities for the Federal Government. FSS contracts are multiple award schedules, indefinite delivery/indefinite quantity-type contracts, which are national in scope and available for use to all Federal agencies. Prices are negotiated with the goal of obtaining "most favored customer" price, and indexed to changes in the commercial marketplace. Under an FSS, the consumer evaluates price lists and identifies the contractors that appear to offer the best value. VA also administers Section 603 of the Veterans Health Care Act of 1992, which establishes Master Pharmacy Agreements and Federal Ceiling Prices for the four major Federal agencies that procure pharmaceuticals (VA, the Department of Defense (DoD), certain elements of the Department of Health and Human Services, and the Coast Guard). The pharmaceutical pricing provision of the Veterans Health Care Act requires that the price of a "covered drug" not be more than 76 percent of the Non-Federal Average Manufacturer Price. Covered drugs include single-source drugs; innovator multiple source drugs; biological products (e.g., vaccines); and insulin.

A major VA initiative has been the consolidation of pharmaceutical requirements into national contracts. VA estimates its cumulative savings in pharmaceutical expenditures to total \$654 million since 1996 solely through the use of its national contracts.

The Defense Supply Center Philadelphia (DSCP), as part of the Defense Logistics Agency, procures medical supplies and equipment for DoD. It also establishes distribution networks. DSCP enters into Distribution and Pricing Agreements (DAPA) with manufacturers and distributors. These DAPAs are utilized as multi-source purchasing vehicles for DoD customers.

The Congressional Commission on Service Members and Veterans Transition Assistance Report recommended that Congress enact legislation to require "DoD and VA to establish a joint DoD/VA procurement office to purchase, in the most cost-effective manner possible, VA/DoD pharmaceuticals as well as medical/surgical supplies and equipment." Based on this report, in December 1999, VA entered into a Memorandum of Agreement (MOA) with DoD to combine the purchasing power of the two Departments and eliminate redundancies. The MOA has two appendices--one dealing with pharmaceuticals, the second encompassing medical and surgical supplies. A third appendix, dealing with high-tech medical equipment, is under consideration.

The MOA has two main emphases pertaining to the pharmaceutical appendix: (1) joint procurement contracting and (2) DAPA conversion to FSS. In accordance with the MOA, DAPAs are to be cancelled whenever the FSS price is equal to or less than the DAPA price. Savings from these efforts help both Departments reduce health-care costs.

Chronology:

Joint National Contracting

Joint contracting efforts pre-date the signing of the MOA. Working collaboratively since October 1998, VA and DoD have 20 joint contracts currently in place, accounting for savings of approximately \$32 million using the General Accounting Office's methodology/assumptions. In addition, DSCP has five DoD contracts with an estimated savings of \$54 million. In the future, all contracts should be joint DoD/VA. Forty additional items are under consideration for joint contracting initiatives. Both DoD's Pharmacoeconomic Center and VA's Pharmaceutical Benefits Manager are actively reviewing these.

The Federal Pharmacy Executive Steering Committee, made up of VA and DoD leadership, created a subgroup composed of representatives from VA's National Acquisition Center (NAC), the Veterans Health Administration's Pharmacy Benefits Management/Strategic Health Care Group, and DoD's Pharmacoeconomic Center and DSCP. This subgroup meets quarterly to discuss future joint contracting activities. A running issues list currently identifies 36 future contracting initiatives.

DAPA Conversion

DAPA conversion to FSS contracts is critical because it combines identical medical supply requirements, leverages volume to negotiate better prices, eliminates duplication of contracting efforts, and allows the customer to select the products and pricing that meet their needs. NAC and DSCP staffs are first working on existing FSS contracts with pharmaceuticals. Pharmaceuticals have advanced data management capabilities and national drug codes, which ease comparisons of drugs and pricing.

The mechanism for converting DAPAs begins by VA contracting staff receiving DAPA pricing data from DSCP. VA staff then contact contractors to inform them of the conversion process and begin negotiation. VA staff negotiates a price equal to or less than the DAPA price and electronically communicates new pricing to DSCP. DSCP staff downloads the data into the Data Management System (DMS) and cancels the DAPA.

As of July 14, 2000, VA had contacted 256 contract holders. As a result of these VA contacts, 123 successful conversions have been affected; 49 conversions are pending, and 84 contactors have deferred a conversion decision at this time. During the same time period, DoD placed 48 conversions into its DMS and cancelled 63 DAPAs.

Update on Progress in Converting Vendors from DAPA to FSS:

DAPA holders prior to conversion process:	305
DAPA holders contacted by VA as of 7/14/00:	194

Vendors contacted by VA as of 7/14/00: (194 DAPA holders; 62 new vendors)	256
Vendors agreeing to single price (72 DAPA holders; 51 new vendors)	123
Awaiting response from vendors (37 DAPA holders; 12 new vendors)	49
Vendors deferring conversion decision (75 DAPA holders; 9 new vendors)	84
Vendors agreeing on a single price (as of 5/8/00)	123
Process complete, DAPA's cancelled (as of 6/1/00)	63
New vendors incorporated into DMS	48
Vendors canceling DAPA without price reduction	4
Vendors in process (3 new vendors, 5 DAPA Holders)	8

Summary:

Currently, VA and DoD are working closely to further enhance their collaborative efforts.

- A joint *Data Management* workgroup is devising a data-gathering and assessment plan for medical/surgical items;
- VA/DoD principals are coordinating development of a list of other possible appendices to the MOA; and
- An *Equipment Appendix* workgroup is being formed. This group has prepared "scoping documents" which include the capabilities of the current VA and DoD equipment programs.

VA and DoD have taken steps to resolve issues concerning the MOA. VA is confident that with DoD's collaboration, a longstanding and beneficial relationship can continue to evolve for the benefit of both the taxpayers and the patients we serve.

VA remains committed to increasing joint Federal health-care acquisition activities. VA stands prepared to extend our expertise and further realize economies of scale by applying the Congressional Commission's Report recommendations to the procurement of medical/surgical supplies and equipment.

Procurement Reform – Impact of The Federal Acquisition Streamlining Act of 1994 (FASA) and The Clinger-Cohen Act of 1996 on the Department of Veterans Affairs

FASA and the Clinger-Cohen Act (originally called the Federal Acquisition Reform Act (FARA)) each brought significant changes and improvements to the Government acquisition process. Based on these Acts, VA has made great strides in the area of procurement reform over the past 8 years. Following are significant contributions to procurement reform resulting from VA's implementation of the two Acts:

- FASA established commercial item acquisition procedures that have greatly simplified and expedited the acquisition process. These procedures have allowed contracting officers to shorten acquisition lead times and enabled them to provide needed goods and services to customers faster and at less cost. Acquisition documents and specifications have been simplified and are less complicated. Almost all goods and services VA procures (excluding construction) are commercial items, so VA has made extensive use of this new authority to streamline its acquisition processes.
- FASA established a new micro-purchase threshold of \$2,500 (\$2,000 for construction). Acquisitions below this new threshold are exempt from competition requirements and from the application of most laws and contract clauses. This single change has had a major impact on the way VA conducts business. It has made acquisitions via purchase cards extremely fast, simple, and cost effective. VA has gone from using purchase cards for only a few thousand transactions, spending only a few hundred thousand dollars in 1993 to a current annual usage of over 2 million transactions, spending in excess of \$1 billion. This has resulted in significant savings to VA in acquisition and invoice processing costs and has greatly simplified and expedited the acquisition process for low-dollar-value goods and services.
- FASA raised the threshold for use of simplified acquisition procedures from \$25,000 to \$100,000. This allows contracting officers to use easier, less complicated, and less formal procedures to acquire goods and services. The vast majority of VA's acquisitions are within this dollar threshold. Subsequently, the Clinger-Cohen Act, on a temporary basis, expanded on this authority by permitting the use of simplified procedures for the acquisition of commercial items valued between \$100,000 and \$5 million. VA has made extensive use of both of these expanded authorities to simplify and expedite the acquisition of goods and services.
- FASA contained provisions encouraging expanded use of alternative dispute resolution (ADR) procedures. VA has taken aggressive action to implement and use ADR, resulting in faster settlements of disputes and reduced costs on the part of both VA and contractors.

- FASA added a new provision allowing severable services contracts to cross fiscal years. Prior to that, all service contracts had to end at the close of each fiscal year. This created a large cyclical workload each September to issue new contracts or delivery orders for the following fiscal year. By allowing severable service contracts to cross fiscal years, contracting officers can issue contracts at any time for a full year period, and workload can be more evenly distributed.
- The Clinger-Cohen Act established clear guidelines for the use of design-build procedures to procure construction. This allows VA to contract with one firm for both the design and the construction of a project. Acquisition lead times are reduced and projects can be completed and put into use faster than was possible using traditional design-bid-build procedures.
- The Clinger-Cohen Act rescinded the Brooks Act and transferred responsibility for hearing protests relating to acquisitions of information technology from the General Services Administration to the Comptroller General. This has reduced the administrative burden and costs for VA and offerors, and has resulted in expedited decisions and more timely completion of acquisitions.
- The Clinger-Cohen Act contained requirements for revision of the qualification standard for acquisition professionals (1102). This was to ensure that VA and other Government acquisition personnel are qualified and competent to perform critical acquisition-related duties and tasks. It also ensured consistent training of civilian agency acquisition personnel. As a result, VA has enhanced its acquisition training program, resulting in a better trained acquisition workforce to support veterans programs.

Department of Veterans Affairs
Discretionary Programs Under the Clinton Administration

The leadership of the Clinton Administration created a new era of opportunity for all Americans as we entered the 21st Century. During the President's two terms in office, each budget upheld his policy of fiscal discipline and his commitment to strengthen the economy. Great progress was made in the last seven years by rejecting the fiscal disarray of an earlier era and in its place asserting a steadfast commitment to live within our means, balance the budget, and uphold fiscal discipline. Under the President's guidance, veterans and the service provided them by the Department of Veterans Affairs was a top priority.

Since 1993, VA has done its part to achieve a balanced budget and to change the deficit-driven policies of the past. We have reduced FTE levels by 28,000 – well beyond the streamlining plan. The Administration's requests for veterans' health care have been essentially straightlined for FY 1997 through FY 2000 as negotiated under the Balanced Budget Act of 1997, Public Law 103-55. We have right-sized, cut back, done more with less, and reallocated resources to accommodate the changing needs of those we serve through many innovative achievements. Following are a few highlights of VA's discretionary programs under the Clinton Administration:

Veterans Health Administration (VHA)

Over the past several years, VHA has emphasized, promoted, and exercised significant change in the veterans health-care delivery system from what was traditionally a hospital-based system to an ambulatory, network care-based system. VA focused on transforming from an inpatient system to a team-based, primary care system. This direction will continue.

As part of this strategy, VA has strived to reduce the cost per patient by 30 percent from the 1997 level of \$5,458; to increase the number of patients treated by 20 percent from the 1997 level of 3,142,075; and to increase resources from outside sources to 10 percent of the total operating budget from less than 1 percent in 1997. VA has made significant progress towards meeting, and in some cases exceeding these goals. From 1997 to 1999, we reduced unique patient costs by 16 percent in constant dollars and increased the number of patients treated by 24 percent. Achievement of the 10 percent goals was dependent on implementation of Medicare Subvention, enhanced collections, and a flat-line budget authority. The first two have not been realized, and budget authority has increased by 19 percent, so this goal will be reassessed.

VA efforts in reengineering health-care delivery have resulted in significant reductions in the cost per patient treated over the last five years (1994-1999) while quality of care increased. Reengineering efforts within VHA included the restructuring the organizational, financial, and management facets of the health-care system into Veterans Integrated Service Networks (VISNs), shifting care to more appropriate settings (with an emphasis on primary care), and implementing numerous clinical and

administrative efficiencies through consolidations and integrations. More specifically, since the 1994/1995 time period:

- Approximately 1,100 sites of care delivery have been organized into 22 VISNs;
- Fifty-two percent of all acute care hospital beds (27,319) have been closed; three acute care hospitals and one long-term care hospital have been closed;
- Annual inpatient admissions decreased 32% (284,596 fewer admissions) by 1998 while ambulatory care visits increased by 35% (9.2 million increase);
- Bed days of care per 1,000 patients decreased 62%—from 3,530 to 1,333;
- Patients treated per year increased by over 18% (from 2.9 to 3.4 million veterans served). Further, 19% more homeless patients and 53% more blind rehabilitation patients were treated in FY 1998 as compared to FY 1995. Through March 1998, 8% more psychiatric/substance abuse patients were treated as compared to FY 1995;
- Ambulatory surgeries increased from 35% of all surgeries performed in FY 1995 to 70% in FY 1998.

VA's FY 2001 budget reflects VA's increased emphasis on improving access and service delivery to veterans. In 1999, VA became concerned with reports of some veterans enrolled in the VA health-care system who were experiencing long waits to schedule appointments both for primary and specialty care, and veterans waiting an unreasonable amount of time to be seen at a clinic on the day of an appointment. Spending plans for FY 2000 indicate that anticipated management savings of \$200 million would be directed to initiate access and service delivery improvements. In FY 2001, an additional \$200 million will be invested to re-direct additional FTE (using buyout authority), alter infrastructure, and improve scheduling systems.

As a result, the FY 2001 budget reflects VA's newly established and emphasized service and access goals, their related performance measures, and the resources necessary to accomplish these goals. This supports the original intent of the Government Performance and Results Act (GPRA) by integrating and tying budget with desired performance. The request includes resources necessary to improve performance in access and service delivery:

- Patients will receive an initial or non-urgent appointment with their primary care or other appropriate provider within 30 days;
- Patients will receive a non-urgent specialty appointment when referred by a VA practitioner within 30 days;
- Patients will be seen within 20 minutes of their scheduled appointment;
- All enrolled veterans will have access to telephone care 7 days a week, 24 hours a day.

Veterans Benefits Administration (VBA)

Since 1993, VBA has realigned 58 regional offices into 9 service delivery networks and reengineered their business process. VBA has provided focused leadership and strong

core values by successfully completing over 41 action items from the Roadmap to Excellence addressing areas such as: quality and data integrity; strategic planning; training; data systems; program evaluation; and succession planning. The Service Delivery Networks focus on teamwork as well as shared goals and responsibilities for mission accomplishment to be more responsive to veterans and to maximize efficiencies. VBA merged regional office Adjudication and Veterans Services divisions, providing veterans with one "end to end" office for handling their claims. Veterans will be able to interact directly with VA employees processing their claims. The Balanced Scorecard ensures accountability and performance by measuring the right things. It adds accountability and discipline, and looks at organizational performance allowing VBA to quickly respond to changes in this environment. For example, telephone access improved dramatically as the blocked call rate fell from 52% in FY 1998 to 27% in FY 1999.

VBA implemented the Training and Performance Support Systems resulting in improved claims accuracy. VBA established a structured training program that includes formal classroom instruction, computer-based training, and individualized local training. Because of VBA's unique reliance on its private sector partners, VBA trains bank and mortgage company employees on the home loan program, and Department of Labor (DOL) employees on employment services for placing job-ready veterans. Over 100 VA staff and 3,000 DOL staff were provided employment services training with the assistance of the National Veterans Training Institute. These people are now working with job-ready veterans and have formed networks to improve the quality of the employment services.

A workforce analysis was completed during 1999 resulting in a five-year resource requirement that is included in the FY 2001 budget. In FY 2000, VBA is hiring 440 new claims decision-makers.

VBA established the Data Management Office to assess and ensure the quality and integrity of existing key business indicators and to identify any missing information relevant to the management of VBA's core business processes. Also, VBA is reinstating regular quality assurance reviews in each business line.

National Cemetery Administration (NCA)

Since 1993, funding for NCA has grown from \$70.7 million to \$97.3 million, an increase of 38%. With this level of funding, NCA has expanded service by opening five new national cemeteries and acquiring 3,000 acres of land to meet burial demands. In addition, NCA improved service by installing 14 information kiosks and by encouraging non-VA national and state veterans cemeteries to place headstone orders on-line.

NCA continues to expand its partnership with the states to provide burial space for veterans through the State Veterans Cemetery Grants Program. The Veterans Benefits Enhancement Act of 1998, (P.L. 105-368) was signed into law on November 11, 1998. This Act increased the federal share of the cost of establishing a state veterans

cemetery from 50% to 100%. Since 1993, 14 new state veteran cemeteries were built. Financial assistance in the costs of construction of these new cemeteries was provided through the State Cemetery Grants Program.

One of VA's strategic objectives is to assure that national cemeteries are shrines dedicated to preserving our Nation's history, nurturing patriotism, and honoring the service and sacrifice veterans have made. In order to achieve this objective, NCA needs to address some deferred-maintenance projects. Improvements in the appearance of burial grounds and historic structures will be accomplished with an additional \$5 million requested in the President's FY 2001 budget request.

Department of Veterans Affairs
Discretionary Programs Under Clinton Administration
\$ in millions

	1993				1994			
	OMB Request	President's Request	Enacted	FTE Actual	OMB Request	President's Request	Enacted	FTE Actual
Medical Care	\$15,316	\$14,565	\$14,646	204,527	\$16,629	\$15,643	\$15,640	203,884
Other Discretionary	2,618	1,723	2,055	29,669	2,840	1,875	2,058	29,178
Total Discretionary	\$17,934	\$16,288	\$16,701	234,196	\$19,469	\$17,518	\$17,698	233,062
	1995				1996			
	OMB Request	President's Request	Enacted	FTE Actual	OMB Request	President's Request	Enacted	FTE Actual
Medical Care	\$17,143	\$16,122	\$16,148	200,448	\$17,893	\$16,961	\$16,543	195,153
Other Discretionary	2,057	1,689	1,998	28,039	2,490	2,284	1,763	26,702
Total Discretionary	\$19,200	\$17,812	\$18,146	228,487	\$20,383	\$19,245	\$18,306	221,855
	1997				1998			
	OMB Request	President's Request	Enacted	FTE Actual	OMB Request	President's Request	Enacted	FTE Actual
Medical Care	\$17,642	\$17,008	\$17,013	186,135	\$17,512	\$17,550	\$17,724	184,768
Other Discretionary	2,101	1,896	1,853	25,372	2,012	1,156	1,171	22,298
Total Discretionary	\$19,743	\$18,904	\$18,866	211,507	\$19,525	\$18,705	\$18,895	207,066
	1999				2000			
	OMB Request	President's Request	Enacted	FTE Actual	OMB Request	President's Request	Enacted	FTE Estimate
Medical Care	\$17,685	\$17,705	\$17,846	182,661	\$19,277	\$18,055	\$19,526	180,510
Other Discretionary	1,242	1,190	1,364	22,886	1,334	1,178	1,332	23,605
Total Discretionary	\$18,927	\$18,895	\$19,211	205,547	\$20,611	\$19,234	\$20,859	204,115
	2001				Difference from 1993 (Base-Year)			
	OMB Request	President's Request	Enacted	FTE Estimate	OMB Request	President's Request	Enacted	FTE Estimate
Medical Care	\$21,795	\$20,890	\$0	179,206	\$6,479	\$6,325	\$0	-25,321
Other Discretionary	1,999	1,473	0	24,146	-619	-250	0	-5,523
Total Discretionary	\$23,794	\$22,363	\$0	203,352	\$5,860	\$6,074	\$0	-30,844

Awards

The Vice-President's Hammer Award was presented to the following organizational entities in the Office of Management:

Office of Financial Operations (electronic commerce initiative)
Office of Acquisition & Materiel Management (clothing for homeless veterans)
Hines Service & Distribution Center (computer upgrade program)
VA National Acquisition Center (VA national purchasing and contracting)
VA Credit Card System Team (procurement streamlining)
Office of Acquisition & Materiel Management (enhanced supply support)
Office of Acquisition & Materiel Management (State Veterans Homes Taskforce)
Office of Acquisition & Materiel Management (Procurement Workgroup)
Denver Distribution Center (remote access system)
Denver Distribution Center (improved customer service to disabled veterans)
Office of Acquisition & Materiel Management (Subsistence Prime Vendor Team)

VA's highest award for quality, the Robert W. Carey Quality Award, was presented to:

Office of Financial Operations
Austin Automation Center
Denver Distribution Center

Additionally, the VA Deputy Secretary's Scissors Award was presented to 11 organizations within the Office of Management for helping to "cut red tape."

Note:

Various legislative documents are referenced in this submission. Many of the documents are being submitted as reference material by the Office of Information and Technology as well as other offices. Therefore, duplicate material is not being provided. Following is a list of accompanying reference material:

- Departmental Realignment memorandum from the Secretary, dated 1/26/95
- Secretary's memorandum, dated 6/25/98, announcing separation of CFO and CIO functions
- Organizational charts
- Assistant Secretary bios for Ned Powell and Mark Catlett
- Accountability Report
- Memorandum of Agreement between VA and the Department of Defense
- Federal Acquisition and Streamlining Act of 1994 (Index)

**Department of
Veterans Affairs**

Memorandum

Date: JAN 26 1995
From: Secretary (00)
Subj: Departmental Realignment
To: Administration Heads, Assistant Secretaries, Other Key Officials, Deputy Assistant Secretaries and Field Facility Directors

1. In a continuing effort to make more efficient use of available VA resources and to implement National Performance Review initiatives, I have approved the internal realignment of certain organizational functions of the Department of Veterans Affairs. These changes are consistent with the overall principles contained in our streamlining plan sent to the Office of Management and Budget. The realignment will specifically allow VA to be structured in a way that streamlines Central Office operations, increases the span of control of the organizations assuming these responsibilities, and enhances communication. These changes will also enable the Department to more efficiently coordinate the development of its business plan by aligning the budget, procurement, and information management programs under one Assistant Secretary.

2. Specific organizational and title changes will include:

- Abolishment of the position of Assistant Secretary for Acquisition and Facilities, and the realignment of functions currently assigned to that Office to other appropriate organizations.
- Realignment of the Deputy Assistant Secretary for Acquisition and Materiel Management and assigned personnel under the Office of the Assistant Secretary for Finance and Information Resources Management.
- The position of Assistant Secretary for Finance and Information Resources Management is retitled Assistant Secretary for Management.
- Realignment of the Deputy Assistant Secretary for Security and Law Enforcement and assigned personnel under the Office of the Assistant Secretary for Human Resources and Administration.
- Realignment of the Director of the Veterans Canteen Service and assigned personnel under the Veterans Health Administration.

2.

Administration Heads, Assistant Secretaries, Other Key Officials, Deputy Assistant Secretaries and Field Facility Directors

3. These changes will focus on the improvement of customer service by streamlining operations and increasing the span of control for those organizations that are affected by these changes, thus improving responsiveness at the Assistant Secretary level. The new structure is represented on the attached chart and is effective on February 19, 1995.

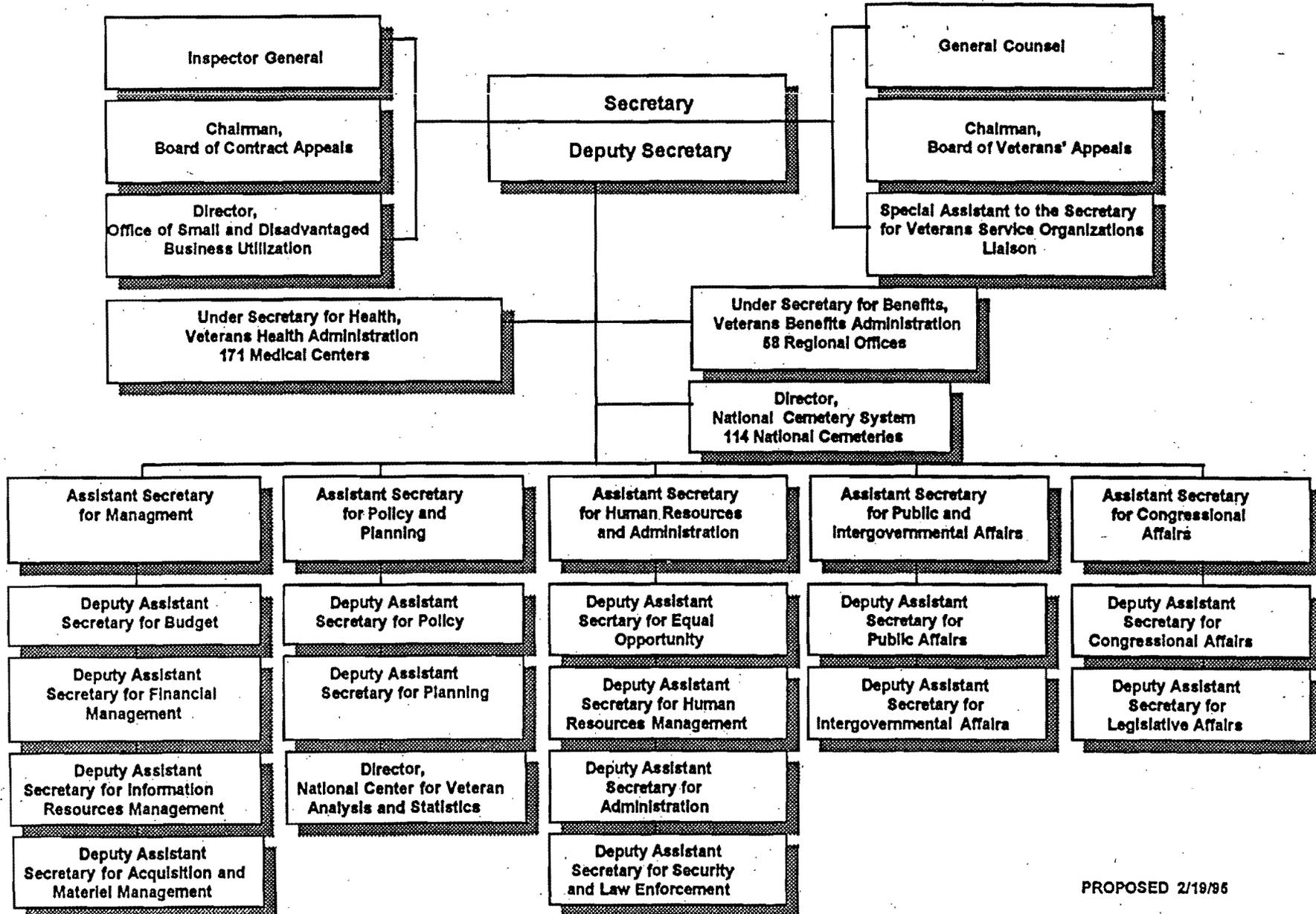


Jesse Brown

Attachment

Distribution: RPC 6001
SS (055)

DEPARTMENT OF VETERANS AFFAIRS



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Veterans Affairs**

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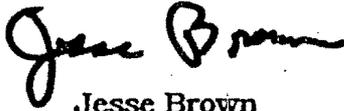
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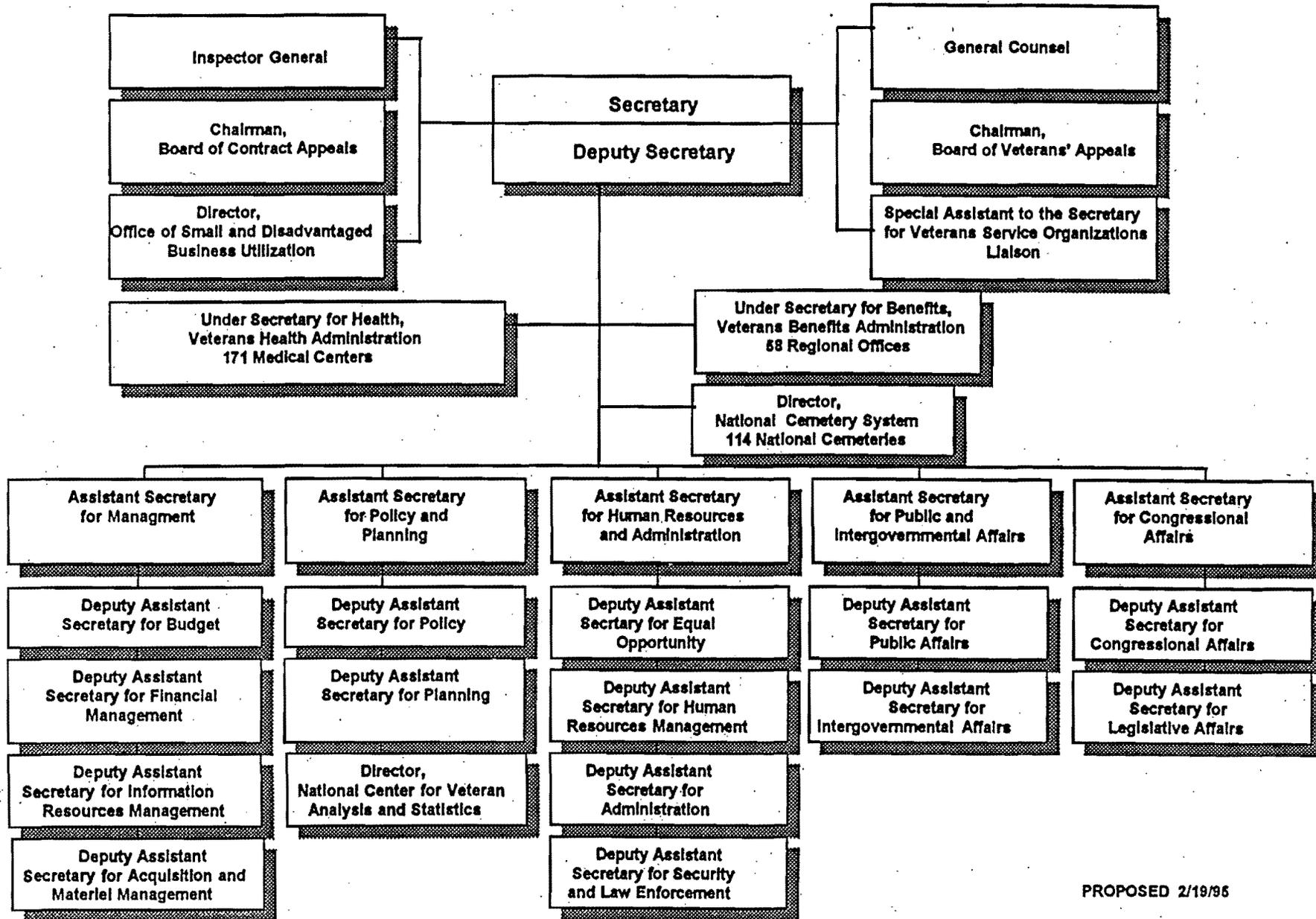


Jesse Brown

Attachment

**Distribution: RPC 6001
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DEPARTMENT OF VETERANS AFFAIRS



PROPOSED 2/19/95



THE SECRETARY OF VETERANS AFFAIRS

WASHINGTON

June 25, 1998

Handwritten notes:
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MEMORANDUM FOR ADMINISTRATION HEADS, ASSISTANT SECRETARIES,
DEPUTY ASSISTANT SECRETARIES, AND OTHER KEY OFFICIALS

Effective July 1, the position of Assistant Secretary for Information and Technology (AS/IT) will be established to focus on information and technology management.

The Assistant Secretary for Management (AS/M) now performs a number of duties, including those of both the Chief Financial Officer and the Chief Information Officer (CIO). Based on discussions within the Administration, a review of the Information Technology Management Reform Act (Clinger-Cohen), and views expressed by Congress, I have decided to separate the CIO function from the CFO function. An Assistant Secretary position is being created to assume the duties of the CIO. The entire organization of the Deputy Assistant Secretary for Information Resources Management (DAS for IRM) will be realigned under this new Assistant Secretary.

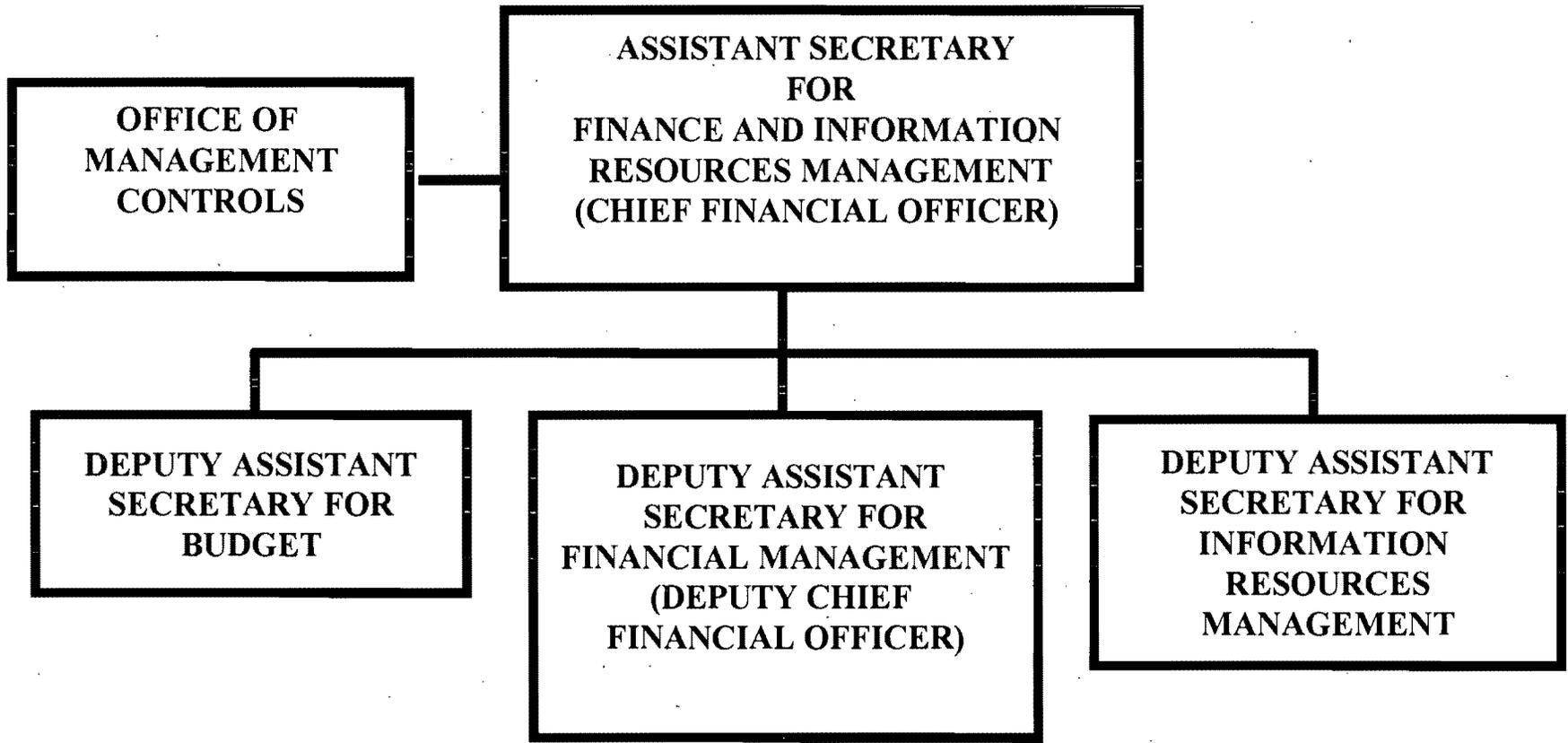
We plan to activate the office on July 1, 1998, with the assignment of a Principal Deputy Assistant Secretary. Until the appointment process for a new Assistant Secretary is completed, the Principal Deputy Assistant Secretary will be the Acting Assistant Secretary and the Acting CIO, and the current DAS for IRM will serve as the Deputy CIO.

This change will permit the appropriate emphasis on the Department's information and technology issues, which are keys to improving service to veterans. I express the Department's appreciation to Mark Catlett and his entire organization for the professionalism and dedication with which they have discharged these duties to date.

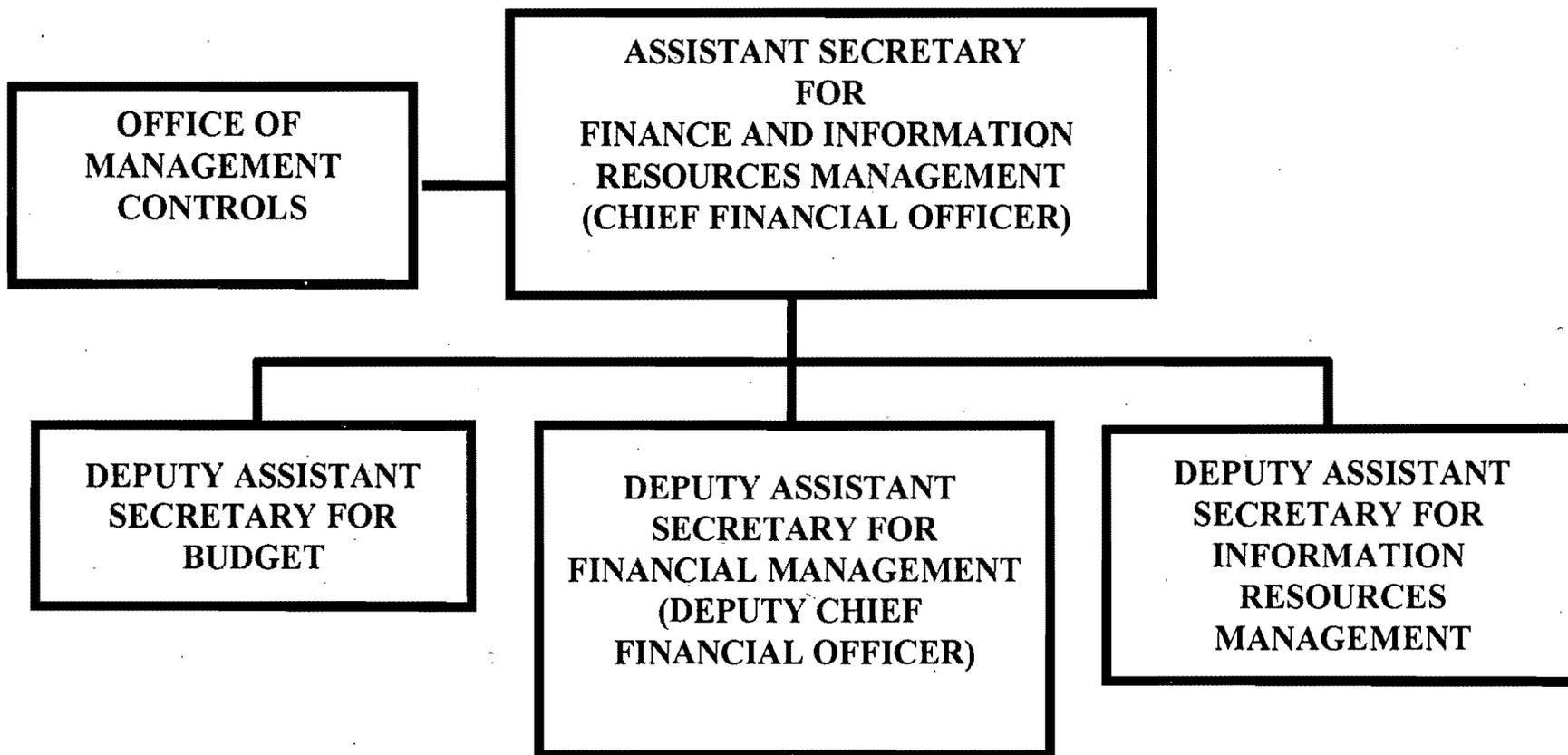
Signature of Togo D. West, Jr.
Togo D. West, Jr.

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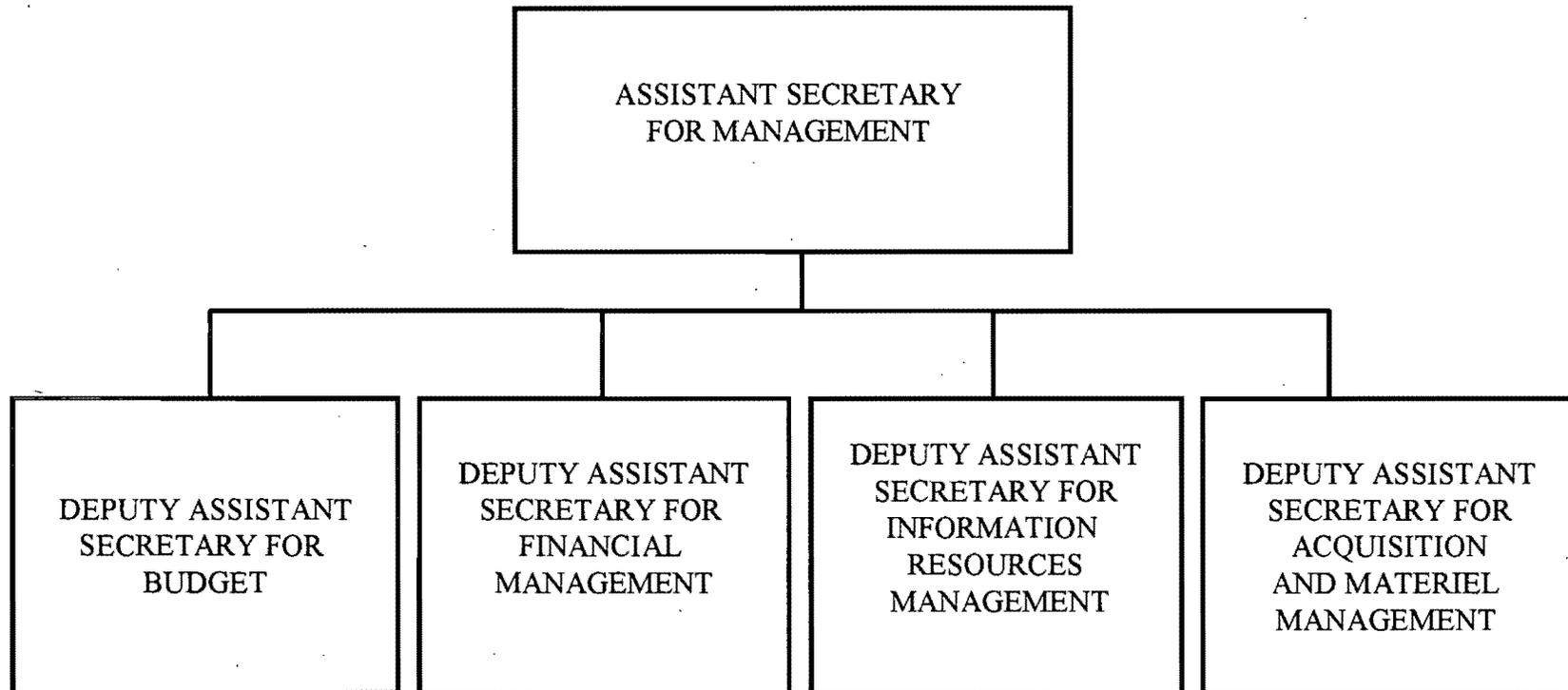


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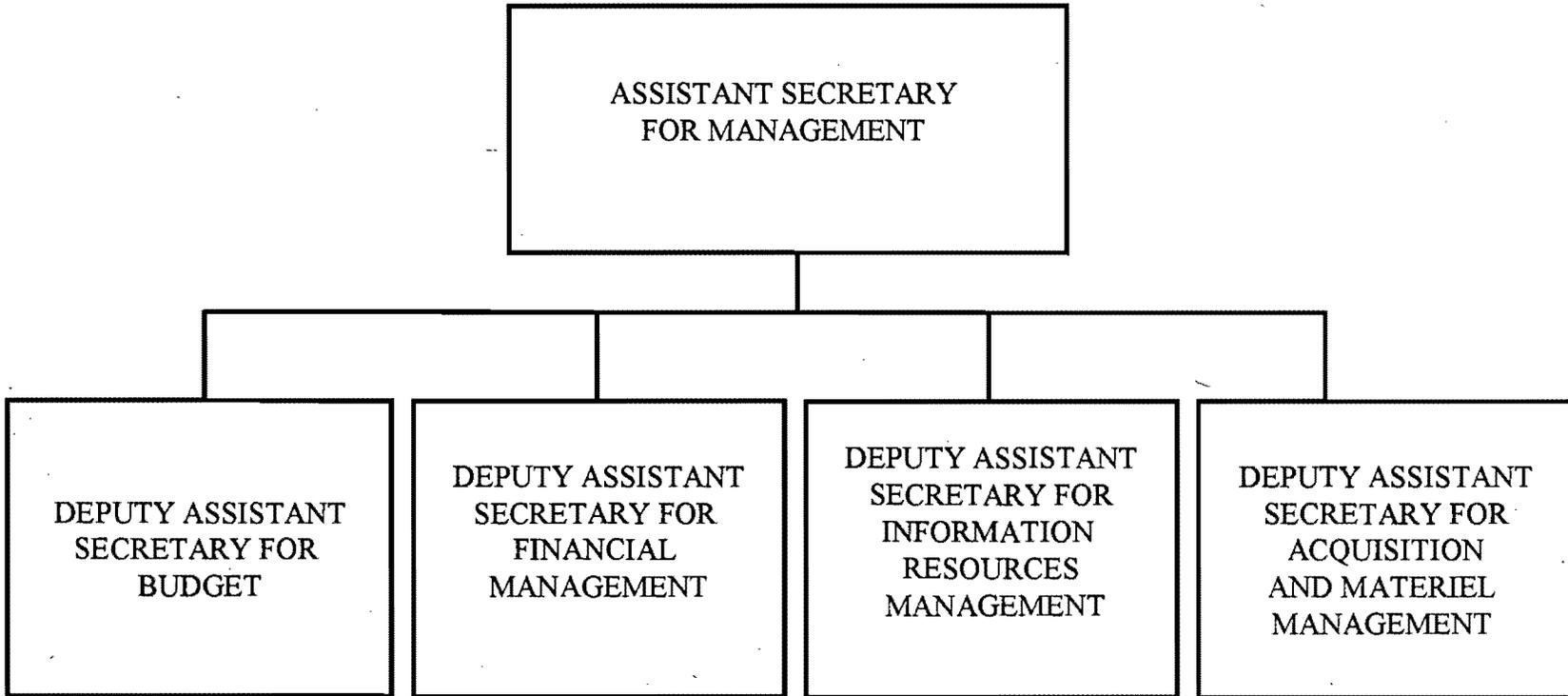


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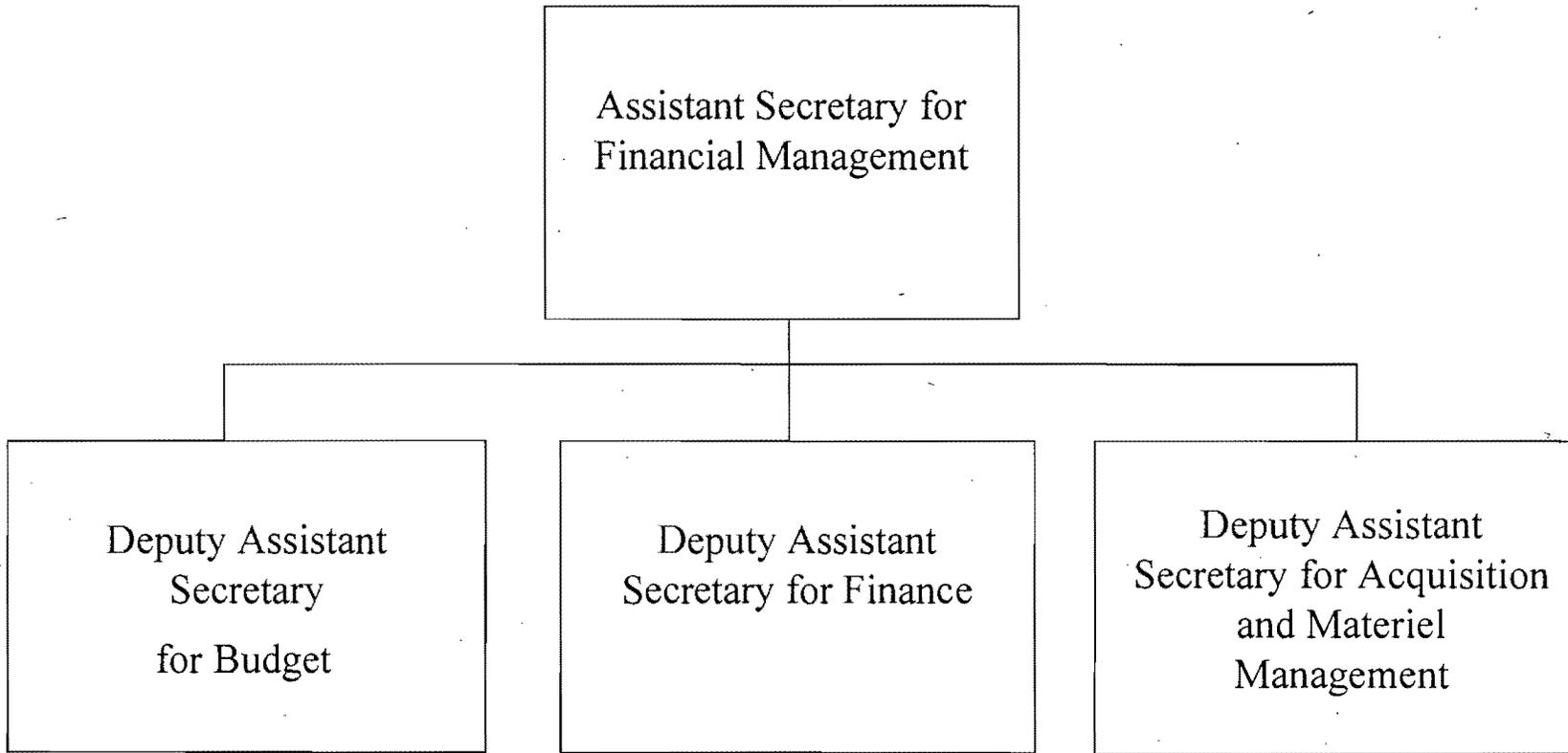
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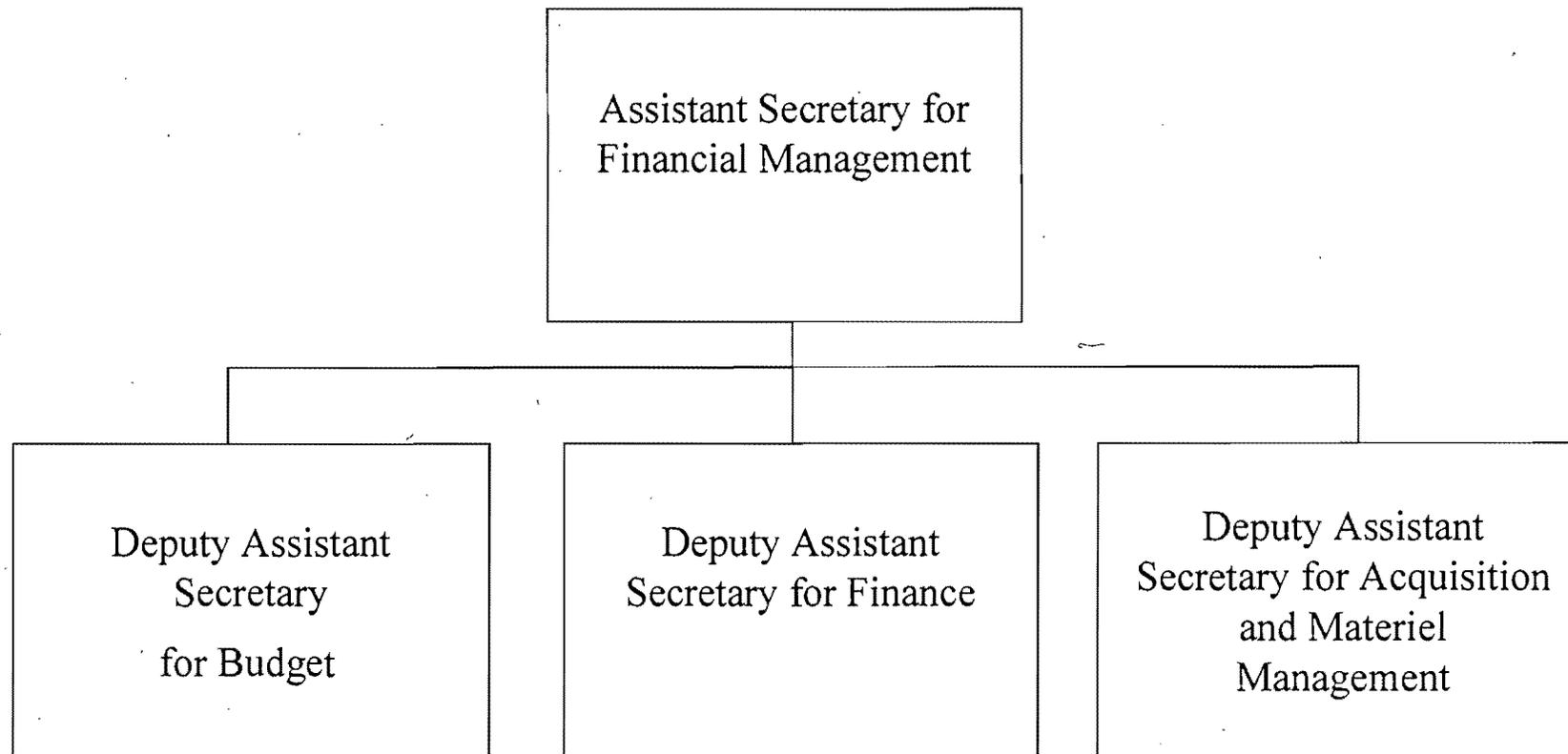
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Office of the Assistant Secretary For Financial Management

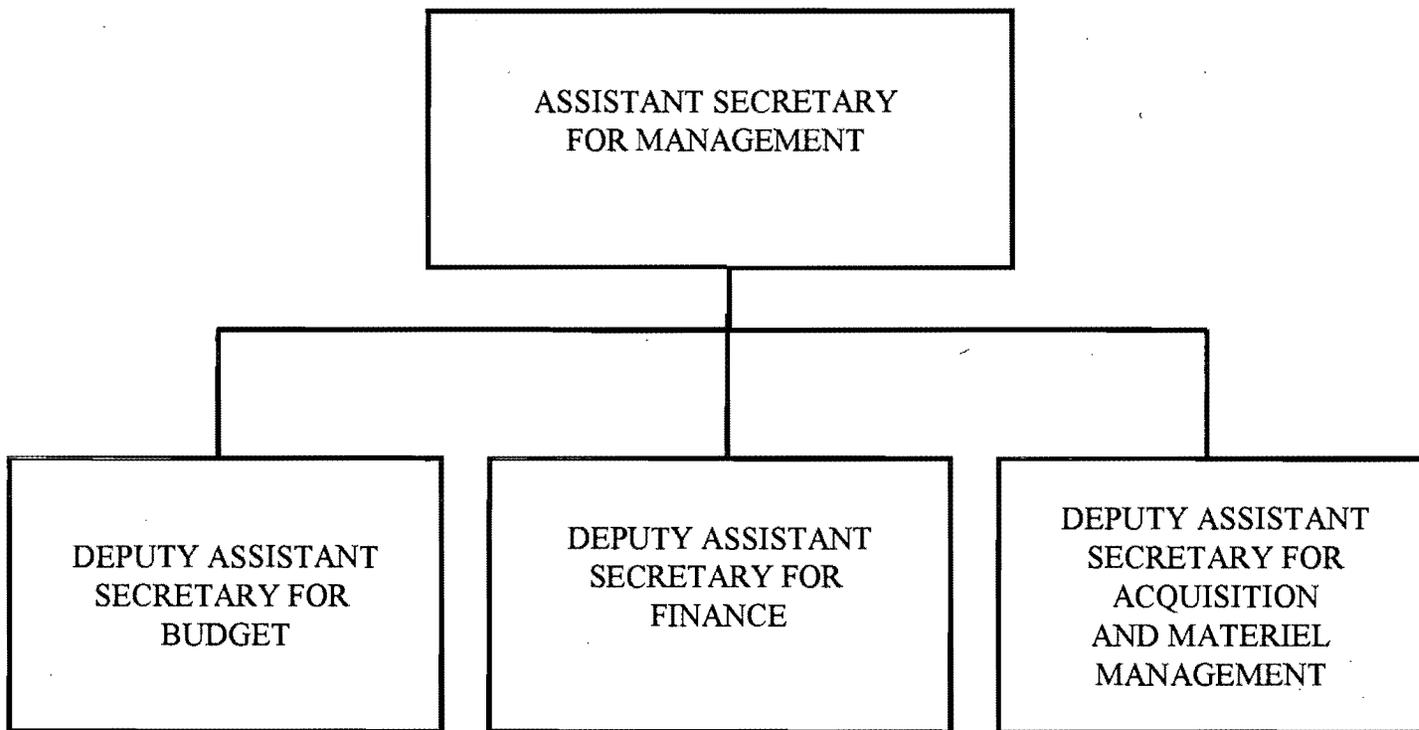


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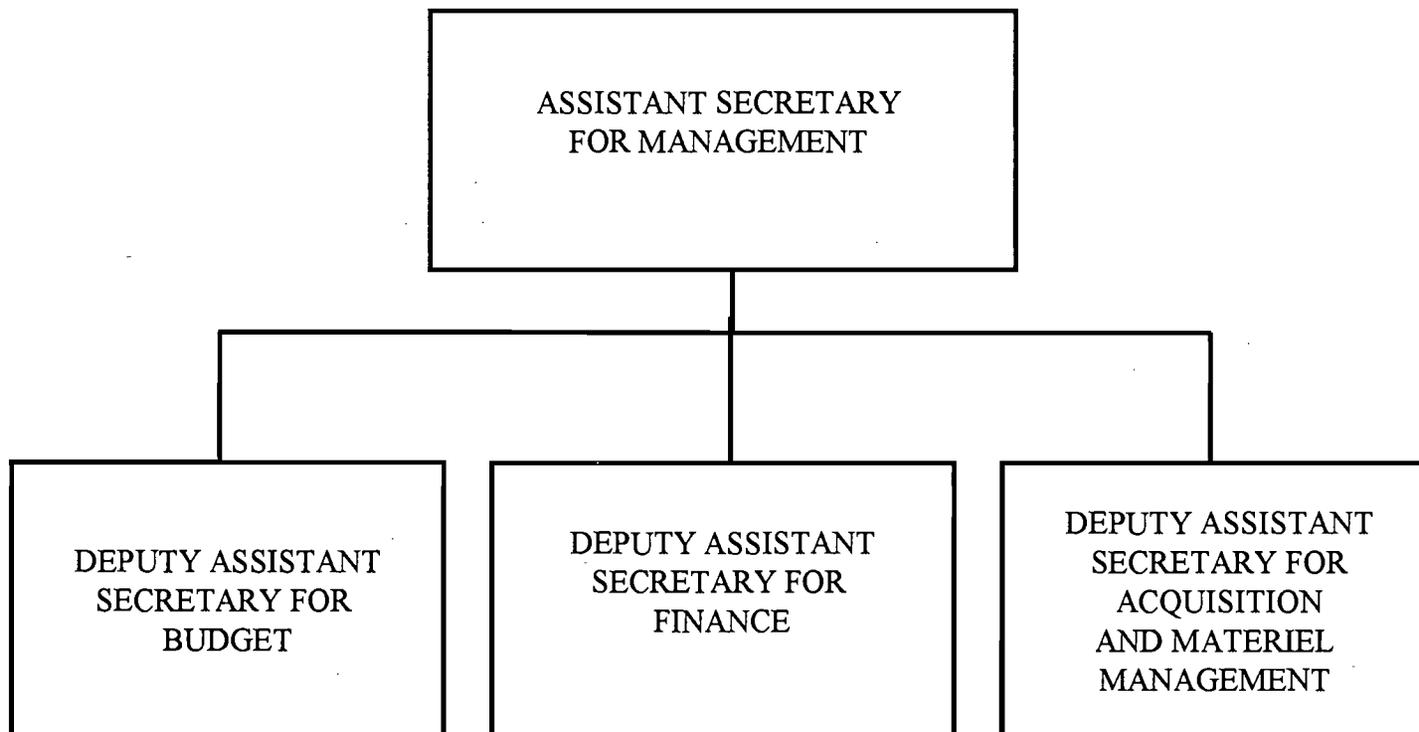
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OFFICE OF THE ASSISTANT SECRETARY FOR MANAGEMENT



8/20/02

OFFICE OF THE ASSISTANT SECRETARY FOR MANAGEMENT





Department of

Veterans Affairs

Washington, DC

The Honorable Edward A. Powell Jr.

Edward A. Powell Jr. was confirmed as Assistant Secretary for Financial Management on Oct. 21, 1998.

As chief financial officer for the department, Mr. Powell is responsible for directing budgeting, finance and procurement. As the department's senior procurement executive, he is responsible for overseeing the acquisition and materiel management system, including developing and implementing policies and regulations.

Mr. Powell has broad business experience in finance, investment banking, strategic marketing and management. Between 1989 and 1997, he owned and managed Mechanism Design, Inc., a precision machine parts manufacturing firm. Previously, he was First Vice President of Investment Banking for Sovran Bank (now Bank of America), and held a Securities and Exchange Commission broker's license. He is a former professor of business ethics and policy at the University of Richmond and a business planning consultant.

Mr. Powell served in the Navy Reserve for six years. He spent two years on active duty, with assignments with the Defense Intelligence Agency. His military service was recognized with the Distinguished Service Award.

Mr. Powell earned a bachelor's degree in economics from Washington & Lee University and a master's in business administration from the University of North Carolina.

Mr. Powell is married to Diane Linen Powell, who is chairman of Des Plaines Printing Company in Des Plaines, Il. They reside in Washington, D.C.



**Assistant Secretary
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Department of

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**Assistant Secretary
for
Financial
Management**

D. Mark Catlett

Assistant Secretary for Management

Mark Catlett was confirmed by the Senate as Assistant Secretary for Finance and Information Resources Management on May 20, 1993. The office was reorganized on January 26, 1995, and he became the Assistant Secretary for Management.

Mr. Catlett is the principal VA executive responsible for directing Department-level budgeting, finance, procurement and information resources management. He is the chief financial officer (CFO) for the Department, which operates on a \$39 billion budget. As the chief information officer (CIO) for VA, he coordinates the development of automation plans, policies and standards and ensures the implementation of various laws, including the Paperwork Reduction Act, the Computer Security Act, the Freedom of Information Act and the Privacy Act.



Mr. Catlett served as the acting assistant secretary during the transition of the Clinton administration and had been Deputy Assistant Secretary for Budget since 1989. Previously, he was Deputy Director of VA's Budget Service, Assistant Director for General Operating Expenses and Benefits Service, Chief of the General Operating Expenses Division, and a budget analyst for VA's construction program. He has worked in budget operations in all program areas since coming to VA in 1976.

A native of West Virginia, Mr. Catlett is a graduate of West Virginia University, where he received a master's degree in public administration and is a member of Phi Beta Kappa.

He and his wife Sally reside in the Washington area with their two children.

May 1996



[VA Home Page.](#)

[Questions, Comments,
Complaints, and Concerns.](#)

*Please send your comments on this page to [VA Webmasters](#).
Last updated May 22, 1996. WRH*

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MEMORANDUM OF AGREEMENT

BETWEEN THE

DEPARTMENT OF DEFENSE

And The

DEPARTMENT OF VETERANS AFFAIRS

1. PURPOSE

This Memorandum of Agreement (MOA) establishes the actions to be taken by the Department of Defense (DoD) and the Department of Veterans Affairs (VA) to achieve a common goal. The common goal is to combine the strengths and buying power of VA with those of the DoD to achieve lower medical materiel costs of these Departments and to eliminate redundancies in contracting.

2. AUTHORITY

This agreement is entered into under the authority of section 8111 of title 38, United States Code, as amended (38 U.S.C. 8111) and section 1104 of title 10, United States Code, as amended (10 U.S.C. 1104).

3. BACKGROUND

VA has been delegated procurement authority by General Services Administration (GSA) to establish Federal Supply Schedules (FSS) for medical commodities for the entire Federal Government. Additionally, VA has a statutory mandate to administer and enforce Section 603 of the Veterans Health Care Act of 1992 (VHCA). 38 U.S.C. 8126. This includes maintaining master agreements and pharmaceutical pricing agreements, and receiving and checking the pricing data that is used for calculating Federal ceiling prices.

The Defense Logistics Agency (DLA) is a Defense Agency under 10 U.S.C. 191 and a combat support agency under 10 U.S.C. 193. It was established because the Secretary of Defense determined that it is more effective, economical and efficient to provide common supplies and services to the Military Departments. As a Combat Support Agency, DLA is responsible for maintaining a readiness posture to support operating forces in the event of war or threat to national security. As part of its responsibility, DLA, through the Defense Supply Center, Philadelphia (DSCP), supports the medical needs of the Military Departments. DSCP procures medical supplies and equipment for DoD and other Government agencies; and is skilled at establishing and operating networks to distribute

medical materiel using electronic commerce to facilities worldwide in both peacetime and war.

4. OBJECTIVES

The economic objective covered in this MOA is to combine identical medical supply requirements from both agencies and leverage that volume to negotiate better pricing. The organizational goals are to eliminate duplication of contracting effort and allow the customers of both Agencies to select the product and pricing that best meets their needs. The parties intend that each of them will continue to contract for their own prime vendor (PV) services to meet their distinctive needs. However, the parties agree that DOD distribution and pricing agreements (DAPA) will be phased out as quickly as possible in favor of VA contractual vehicles in the manner specified in the appendices incorporated herein

5. RESPONSIBILITIES

Both DoD and VA will be responsible for supporting the goals of this MOA.

Responsibilities of DoD and VA will be tailored for each of the product lines and services. These responsibilities will be delineated in appendices to this memorandum. Each appendix will be coordinated and signed by the incumbents of the offices signing this MOA or their designees. The initial program areas for which appendices have been, or are to be developed are as follows:

- a. Medical-Surgical Products – Appendix 1
- b. Pharmaceutical Products – Appendix 2
- c. Equipment – Appendix 3
- d. Other areas as appropriate.

6. DURATION OF AGREEMENT

This agreement becomes effective upon signature approval of both parties for a period of one calendar year. This agreement will be automatically extended for additional one-year periods on its anniversary date, unless either party gives the other a 180-day written notice of intent to modify or terminate the agreement. Either party may terminate this MOA in whole or in part with 180-day written notice; however, each party agrees to consult with the other before any action is taken to terminate the MOA or terminate any contracting action initiated pursuant to it.

7. APPORTIONMENT OF LIABILITY

In the event of a cancellation or termination of this MOA or any contracting initiatives begun pursuant to it by mutual agreement of the parties, each party will be liable for its own share of resulting costs, unless one party caused the

cancellation or termination by its negligence or by its violation of any Federal rule, regulation or statute. Any financial liability resulting from the actions of user facilities shall be the responsibility of the department with supervisory authority over that facility and/or the responsibility of the facility itself. Each department agrees to accept full responsibility and liability for any contractor claims that may arise under or relating to contracts entered into under this MOA when such claims result from any alleged breach of contract by an individual department or by facilities operating under its authority.

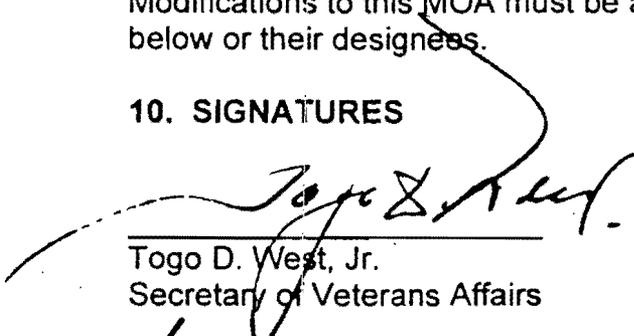
8. DISPUTES

The DoD and VA agree to take immediate action to resolve issues and disagreements that arise in accomplishing work under this MOA, in accordance with FAR 17.504(c). In the event that disagreements arise that cannot be resolved by the VA/DoD Executive Council, then the parties will submit such disagreements for resolution under a mutually acceptable DoD or VA alternative dispute resolution process.

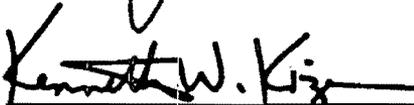
9. MODIFICATIONS

Modifications to this MOA must be approved in writing by the signatories listed below or their designees.

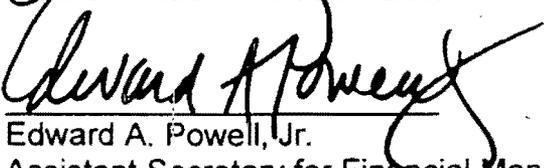
10. SIGNATURES



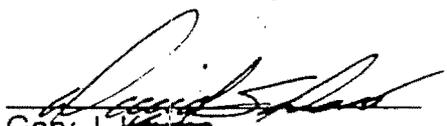
Togo D. West, Jr.
Secretary of Veterans Affairs



Kenneth W. Kizer, M.D., M.P.H.
Under Secretary for Health
Veterans Health Administration



Edward A. Powell, Jr.
Assistant Secretary for Financial Management



Gary J. Krump
Deputy Assistant Secretary for Acquisition and Materiel Management
Department of Veterans Affairs

APPENDIX 1

MEMORANDUM OF AGREEMENT BETWEEN THE DEPARTMENT OF DEFENSE AND DEPARTMENT OF VETERANS AFFAIRS

MEDICAL/SURGICAL PRODUCTS

a. RESPONSIBILITIES of VA

The VA Office of Acquisition and Materiel Management (OA&MM) will:

- (1) Make Blanket Purchase Agreement (BPA) and National contract information for medical/surgical supply items available to DoD. VA will provide an electronic file of Federal Supply Schedule (FSS) data and pricing to DSCP for incorporation into the DoD distribution contracts.
- (2) Where legally possible and with the agreement of existing contractors, modify their current medical surgical national committed volume contracts and FSS BPAs (preferred source agreements), to allow use of the favorable pricing by all DoD activities under DoD prime vendor contracts. Under existing FSS contract BPAs, addition of DoD facilities and/or requirements will be attempted immediately by opening bilateral modification negotiations. In the event DoD cannot be availed of the VA pricing, VA will include the DoD requirements during the next acquisition cycle for these items. To use BPA and/or committed volume contracts, DoD prime vendor customers will be required to make written volume commitments and commitments to the terms and conditions of the contracts to receive the favorable committed volume pricing. The VA price will include the industrial funding fee to be collected by VA from manufacturers.
- (3) Attempt further discounted pricing as additional volume is accumulated.
- (4) Attempt to obtain FSS coverage with vendors who have current DoD DAPAs and significant sales under the DoD prime vendor program. Attempt to add to current FSS contracts missing items that have sales using DAPA pricing. Until such items are added to the FSS, negotiate with VA PVs to honor DAPA coverage and pricing for VA customers.
- (5) Support the implementation of Universal Products Numbers (UPN) and obtain them where available on all National Contracts, FSS and BPA items.

- (6) Facilitate the transition of DoD facilities currently on VA PV distribution contracts to DSCP PV distribution contracts. VA will not solicit PV distribution requirements from DoD facilities without first coordinating with the Medical Logistics Proponents Subcommittee.

b. RESPONSIBILITIES OF DoD

Defense Supply Center, Philadelphia (DSCP) will:

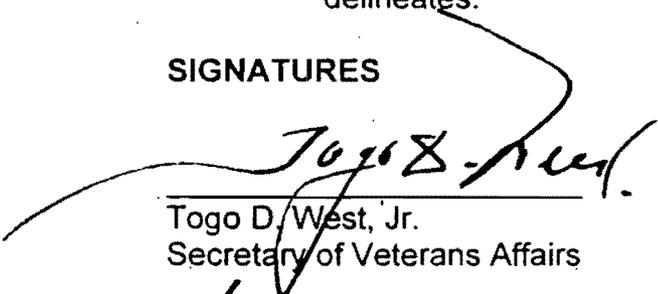
- (1) Be responsible to award all of the distribution contracts for Department of Defense activities.
- (2) Provide VA an electronic file of all DoD DAPA pricing and item usage data so that VA can expand coverage of items and negotiate the same or lower prices under FSS. Enter into negotiations with DAPA holders to modify their agreements, where possible, to allow DAPA application to VA customers through the VA PVs, in those instances where DAPA items are missing from FSS contracts or DAPA prices are lower than current FSS prices (without IFF).
- (3) Replace its DAPAs for medical/surgical items with joint committed use contracts and FSS contracts wherever the latter's prices are equal to or below DAPA pricing. Replacement will be accomplished as quickly as practical under the circumstances, and DoD will not attempt to match or obtain a lower DAPA price on items already contracted for by VA. Within 90 days of the execution of this agreement, DoD will delete DAPA coverage for medical/surgical items when VA demonstrates that its prices are equal to or lower than the existing DAPA prices. This process of price comparison and DAPA deletion will be performed by VA and DOD at least once each calendar quarter, as long as med/surg DAPAs continue to exist.
- (4) Ensure that DoD prime vendor customers that elect to use VA BPA and National Contract items provide written commitment and annual requirements estimates.
- (5) Proliferate available VA medical surgical national contract, FSS and BPA pricing nationwide to all DoD activities. DoD will incorporate VA's medical/surgical contract prices into DoD's electronic medical catalogs, to include the Forward Customer Support system and the Universal Data Repository – CD-ROM so all DoD customers can utilize VA's favorable pricing.
- (6) Modify DSCP prime vendor contracts to require the delivery/distribution of all VA medical/surgical contract items when selected by the customer.

- (7) Actively market VA National Contract, FSS and BPA items, and prices (where available) to all DqD prime vendor customers.
- (8) DSCP will not solicit distribution requirements from VA
- (9) DoD will continue to contract for programs that may employ technologies and techniques such as web-based ordering , overseas distribution, foreign manufacturers, etc., and manage special readiness related program contracts consistent with the necessity for the national defense.

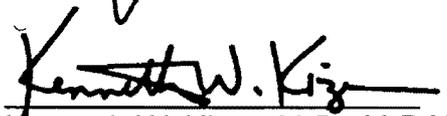
c. TERMINATION

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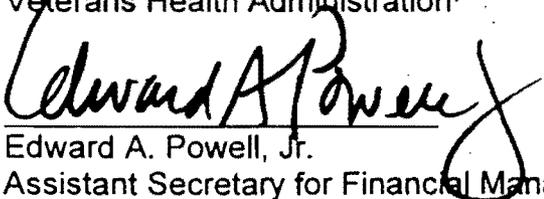
SIGNATURES



Togo D. West, Jr.
Secretary of Veterans Affairs



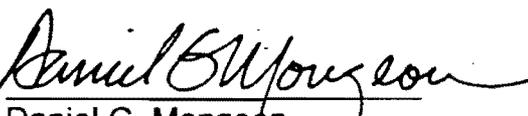
Kenneth W. Kizer, M.D., M.P.H.
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Deputy Assistant Secretary for Acquisition and Materiel Management
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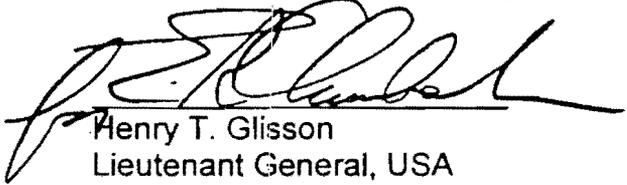
Daniel G. Mongeon
Brigadier General, USA
Commander, Defense Supply Center, Philadelphia


Gary J. Krampf

Deputy Assistant Secretary for Acquisition and Materiel Management
Department of Veterans Affairs



Daniel G. Mongeon
Brigadier General, USA
Commander, Defense Supply Center, Philadelphia



Henry T. Glisson
Lieutenant General, USA
Director, Defense Logistics Agency



Dr. Sue Bailey
Assistant Secretary of Defense
for Health Affairs

APPENDIX 2

MEMORANDUM OF AGREEMENT BETWEEN THE DEPARTMENT OF DEFENSE AND THE DEPARTMENT OF VETERANS AFFAIRS

PHARMACEUTICAL PRODUCTS

A. RESPONSIBILITIES OF VA

- (1) VA will continue to share contracting functions with the DoD in efforts to jointly procure high dollar, high volume pharmaceuticals under the auspices of the DoD/VA Federal Pharmacy Executive Steering Committee (FPESC).
- (2) The VA Office of Acquisition and Materiel Management (OA&MM) will make Blanket Purchase Agreement (BPA) and National contract information for pharmaceutical items available to DoD. VA will provide an electronic file of Federal Supply Schedule (FSS) data and pricing to DSCP for incorporation into the DoD distribution contracts.
- (3) Where legally possible and with the agreement of existing contractors, VA will modify their current pharmaceutical national committed volume contracts and FSS BPAs (preferred source agreements), to allow use of the favorable pricing by all DoD activities under DoD prime vendor contracts. Under existing FSS contract BPAs, addition of DoD facilities and/or requirements will be attempted immediately by opening bilateral modification negotiations. In the event DoD cannot be availed of the VA pricing, VA will include the DoD requirements during the next acquisition cycle for these items. To use BPA and/or committed volume contracts, DoD prime vendor customers will be required to make written volume commitments and commitments to the terms and conditions of the contracts to receive the favorable committed volume pricing. The VA price will include the industrial funding fee to be collected by VA from manufacturers.
- (4) VA shall allow DoD facilities to receive favorable committed volume pricing under all future VA BPAs and National Contracts, conditioned on VA receiving their written volume commitments and commitments to the terms and conditions of the contracts. The VA price paid by DoD facilities will include the industrial funding fee to be collected by VA from the contractors.
- (5) VA will attempt further discounted pricing as additional volume is accumulated.

- (6) VA will attempt to obtain FSS coverage with vendors who have current DoD DAPAs and significant sales under DoD prime vendor program. VA will attempt to add to current FSS contracts missing items that have sales under DAPA pricing. Until such items are added to the FSS, VA will negotiate with VA PVs to honor DAPA coverage and pricing for VA customers.
- (7) VA will facilitate the transition of DoD facilities currently on VA Prime Vendor (PV) distribution contracts to DoD's PV distribution contracts. VA will not promote its PV distribution contracts to DoD customers.

B. RESPONSIBILITIES OF DoD

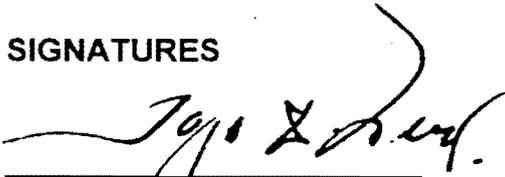
- (1) DoD will continue to share contracting functions with VA in efforts to jointly procure high dollar, high volume pharmaceuticals under the auspices of the DoD/VA Federal Pharmacy Executive Steering Committee (FPESC).
- (2) DoD will provide VA an electronic file of all DoD DAPA pricing and item usage data on a regular basis to allow VA to expand coverage of items and negotiate the same or lower prices under FSS. DoD will enter into negotiations with DAPA holders to modify their agreements to allow DAPA application to VA customers through the VA PVs, in those instances where DAPA items are missing from FSS or DAPA prices are lower than current FSS prices (without IFF).
- (3) DoD agrees to replace its DAPAs for pharmaceutical items with joint committed use contracts and FSS contracts wherever the latter's prices are equal to or below DAPA pricing. Replacement will be accomplished as quickly as practical under the circumstances, and DoD will not attempt to match or obtain a lower DAPA price on items already contracted for by VA. Within 90 days of the execution of this agreement, DoD will delete DAPA coverage for pharmaceutical items when VA demonstrates that its price is equal to or lower than the existing DAPA price. This process of price comparison and DAPA deletion will be performed by VA and DOD at least once each calendar quarter, as long as pharmaceutical DAPAs continue to exist.
- (4) Notwithstanding the above, DoD shall not delete DAPA coverage if such deletion would conflict with decisions regarding selected drugs made by the Department of Defense Pharmaceutical & Therapeutics Committees or other DoD clinical authorities regarding selected drugs.
- (5) For items where VA is not able to provide FSS or national contract coverage, DoD will retain the authority to enter into DAPAs.
- (6) DoD activities that elect to use VA BPAs or National Contracts will provide written commitment and annual requirement estimates.

- (7) DoD will proliferate available VA pharmaceutical FSS contracts and BPA pricing nationwide to all DoD activities. DoD will incorporate VA's pharmaceutical contract prices into DoD's electronic pharmaceutical catalogs, to include the Forward Customer Support system and Universal Data Repository – CD-ROM so all DoD customers can utilize VA's favorable pricing.
- (8) DoD will enter into negotiations to bilaterally modify all DSCP PV distribution contracts to require the delivery/distribution of all VA pharmaceutical items, including FSS, BPAs and national contract items when selected by the customer. DoD will not promote its PV distribution contracts to VA customers.
- (9) DoD will actively market VA's available FSS BPAs and national contracts and prices to all DoD prime vendor customers.
- (10) DoD will continue to contract for distribution programs that may employ technologies and techniques such as web-based ordering, overseas distribution, foreign manufacturers, etc. and manage special readiness related program contracts consistent with the necessity for the national defense.

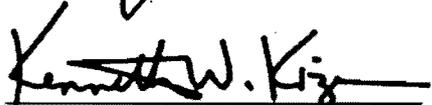
C. TERMINATION

Any modification or the termination of this Appendix will be accomplished in accordance with the procedures established as the main MOA delineates.

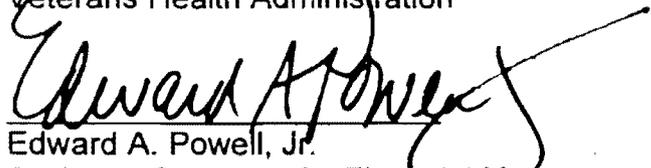
SIGNATURES



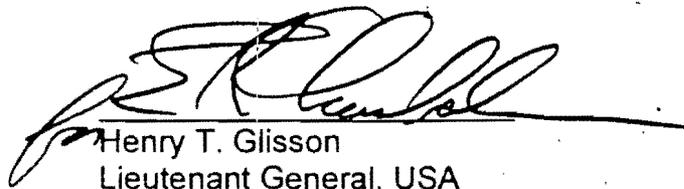
Togo D. West, Jr.
Secretary of Veterans Affairs



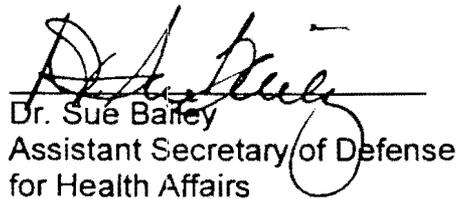
Kenneth W. Kizer, M.D., M.P.H.
Under Secretary for Health
Veterans Health Administration



Edward A. Powell, Jr.
Assistant Secretary for Financial Management



Henry T. Glisson
Lieutenant General, USA
Director, Defense Logistics Agency



Dr. Sue Bailey
Assistant Secretary of Defense
for Health Affairs

MEMORANDUM OF AGREEMENT

BETWEEN THE

DEPARTMENT OF DEFENSE

And The

DEPARTMENT OF VETERANS AFFAIRS

1. PURPOSE

This Memorandum of Agreement (MOA) establishes the actions to be taken by the Department of Defense (DoD) and the Department of Veterans Affairs (VA) to achieve a common goal. The common goal is to combine the strengths and buying power of VA with those of the DoD to achieve lower medical materiel costs of these Departments and to eliminate redundancies in contracting.

2. AUTHORITY

This agreement is entered into under the authority of section 8111 of title 38, United States Code, as amended (38 U.S.C. 8111) and section 1104 of title 10, United States Code, as amended (10 U.S.C. 1104).

3. BACKGROUND

VA has been delegated procurement authority by General Services Administration (GSA) to establish Federal Supply Schedules (FSS) for medical commodities for the entire Federal Government. Additionally, VA has a statutory mandate to administer and enforce Section 603 of the Veterans Health Care Act of 1992 (VHCA), 38 U.S.C. 8126. This includes maintaining master agreements and pharmaceutical pricing agreements, and receiving and checking the pricing data that is used for calculating Federal ceiling prices.

The Defense Logistics Agency (DLA) is a Defense Agency under 10 U.S.C. 191 and a combat support agency under 10 U.S.C. 193. It was established because the Secretary of Defense determined that it is more effective, economical and efficient to provide common supplies and services to the Military Departments. As a Combat Support Agency, DLA is responsible for maintaining a readiness posture to support operating forces in the event of war or threat to national security. As part of its responsibility, DLA, through the Defense Supply Center, Philadelphia (DSCP), supports the medical needs of the Military Departments. DSCP procures medical supplies and equipment for DoD and other Government agencies; and is skilled at establishing and operating networks to distribute

medical materiel using electronic commerce to facilities worldwide in both peacetime and war.

4. OBJECTIVES

The economic objective covered in this MOA is to combine identical medical supply requirements from both agencies and leverage that volume to negotiate better pricing. The organizational goals are to eliminate duplication of contracting effort and allow the customers of both Agencies to select the product and pricing that best meets their needs. The parties intend that each of them will continue to contract for their own prime vendor (PV) services to meet their distinctive needs. However, the parties agree that DOD distribution and pricing agreements (DAPA) will be phased out as quickly as possible in favor of VA contractual vehicles in the manner specified in the appendices incorporated herein

5. RESPONSIBILITIES

Both DoD and VA will be responsible for supporting the goals of this MOA.

Responsibilities of DoD and VA will be tailored for each of the product lines and services. These responsibilities will be delineated in appendices to this memorandum. Each appendix will be coordinated and signed by the incumbents of the offices signing this MOA or their designees. The initial program areas for which appendices have been, or are to be developed are as follows:

- a. Medical-Surgical Products – Appendix 1
- b. Pharmaceutical Products – Appendix 2
- c. Equipment – Appendix 3
- d. Other areas as appropriate.

6. DURATION OF AGREEMENT

This agreement becomes effective upon signature approval of both parties for a period of one calendar year. This agreement will be automatically extended for additional one-year periods on its anniversary date, unless either party gives the other a 180-day written notice of intent to modify or terminate the agreement. Either party may terminate this MOA in whole or in part with 180-day written notice; however, each party agrees to consult with the other before any action is taken to terminate the MOA or terminate any contracting action initiated pursuant to it.

7. APPORTIONMENT OF LIABILITY

In the event of a cancellation or termination of this MOA or any contracting initiatives begun pursuant to it by mutual agreement of the parties, each party will be liable for its own share of resulting costs, unless one party caused the

cancellation or termination by its negligence or by its violation of any Federal rule, regulation or statute. Any financial liability resulting from the actions of user facilities shall be the responsibility of the department with supervisory authority over that facility and/or the responsibility of the facility itself. Each department agrees to accept full responsibility and liability for any contractor claims that may arise under or relating to contracts entered into under this MOA when such claims result from any alleged breach of contract by an individual department or by facilities operating under its authority.

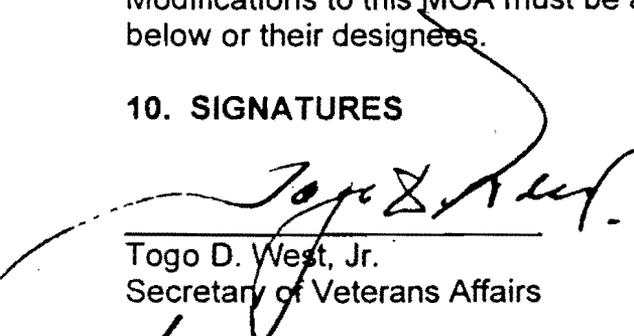
8. DISPUTES

The DoD and VA agree to take immediate action to resolve issues and disagreements that arise in accomplishing work under this MOA, in accordance with FAR 17.504(c). In the event that disagreements arise that cannot be resolved by the VA/DoD Executive Council, then the parties will submit such disagreements for resolution under a mutually acceptable DoD or VA alternative dispute resolution process.

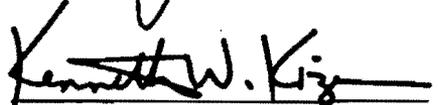
9. MODIFICATIONS

Modifications to this MOA must be approved in writing by the signatories listed below or their designees.

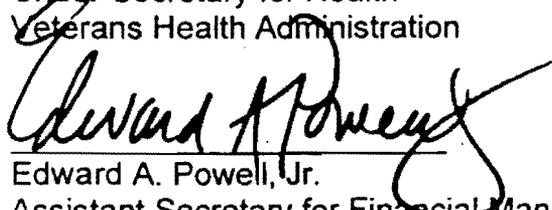
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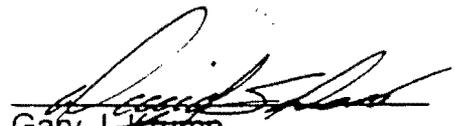
Togo D. West, Jr.
Secretary of Veterans Affairs



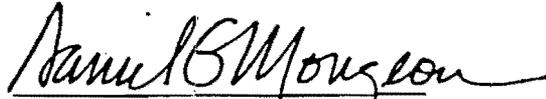
Kenneth W. Kizer, M.D., M.P.H.
Under Secretary for Health
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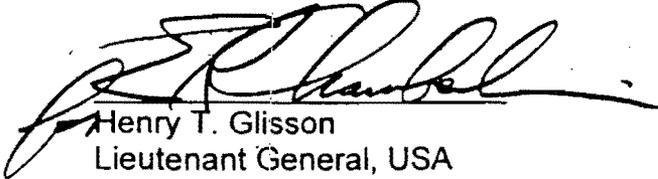
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Assistant Secretary for Financial Management



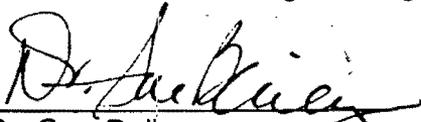
Gary J. Krump
Deputy Assistant Secretary for Acquisition and Materiel Management
Department of Veterans Affairs



Daniel G. Mongeon
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Commander, Defense Supply Center, Philadelphia



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Dr. Sue Bailey
Assistant Secretary of Defense
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APPENDIX 1

MEMORANDUM OF AGREEMENT BETWEEN THE DEPARTMENT OF DEFENSE AND DEPARTMENT OF VETERANS AFFAIRS

MEDICAL/SURGICAL PRODUCTS

a. RESPONSIBILITIES of VA

The VA Office of Acquisition and Materiel Management (OA&MM) will:

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- (2) Where legally possible and with the agreement of existing contractors, modify their current medical surgical national committed volume contracts and FSS BPAs (preferred source agreements), to allow use of the favorable pricing by all DoD activities under DoD prime vendor contracts. Under existing FSS contract BPAs, addition of DoD facilities and/or requirements will be attempted immediately by opening bilateral modification negotiations. In the event DoD cannot be availed of the VA pricing, VA will include the DoD requirements during the next acquisition cycle for these items. To use BPA and/or committed volume contracts, DoD prime vendor customers will be required to make written volume commitments and commitments to the terms and conditions of the contracts to receive the favorable committed volume pricing. The VA price will include the industrial funding fee to be collected by VA from manufacturers.
- (3) Attempt further discounted pricing as additional volume is accumulated.
- (4) Attempt to obtain FSS coverage with vendors who have current DoD DAPAs and significant sales under the DoD prime vendor program. Attempt to add to current FSS contracts missing items that have sales using DAPA pricing. Until such items are added to the FSS, negotiate with VA PVs to honor DAPA coverage and pricing for VA customers.
- (5) Support the implementation of Universal Products Numbers (UPN) and obtain them where available on all National Contracts, FSS and BPA items.

- (6) Facilitate the transition of DoD facilities currently on VA PV distribution contracts to DSCP PV distribution contracts. VA will not solicit PV distribution requirements from DoD facilities without first coordinating with the Medical Logistics Proponents Subcommittee.

b. RESPONSIBILITIES OF DoD

Defense Supply Center, Philadelphia (DSCP) will:

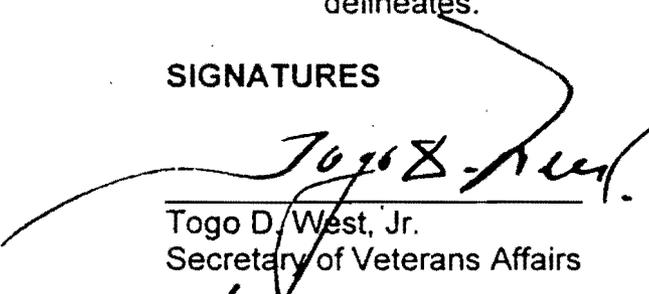
- (1) Be responsible to award all of the distribution contracts for Department of Defense activities.
- (2) Provide VA an electronic file of all DoD DAPA pricing and item usage data so that VA can expand coverage of items and negotiate the same or lower prices under FSS. Enter into negotiations with DAPA holders to modify their agreements, where possible, to allow DAPA application to VA customers through the VA PVs, in those instances where DAPA items are missing from FSS contracts or DAPA prices are lower than current FSS prices (without IFF).
- (3) Replace its DAPAs for medical/surgical items with joint committed use contracts and FSS contracts wherever the latter's prices are equal to or below DAPA pricing. Replacement will be accomplished as quickly as practical under the circumstances, and DoD will not attempt to match or obtain a lower DAPA price on items already contracted for by VA. Within 90 days of the execution of this agreement, DoD will delete DAPA coverage for medical/surgical items when VA demonstrates that its prices are equal to or lower than the existing DAPA prices. This process of price comparison and DAPA deletion will be performed by VA and DOD at least once each calendar quarter, as long as med/surg DAPAs continue to exist.
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- (6) Modify DSCP prime vendor contracts to require the delivery/distribution of all VA medical/surgical contract items when selected by the customer.

- (7) Actively market VA National Contract, FSS and BPA items, and prices (where available) to all DqD prime vendor customers.
- (8) DSCP will not solicit distribution requirements from VA
- (9) DoD will continue to contract for programs that may employ technologies and techniques such as web-based ordering , overseas distribution, foreign manufacturers, etc., and manage special readiness related program contracts consistent with the necessity for the national defense.

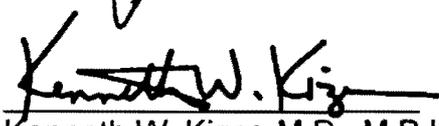
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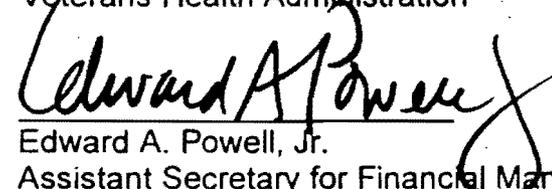
SIGNATURES



Togo D. West, Jr.
Secretary of Veterans Affairs



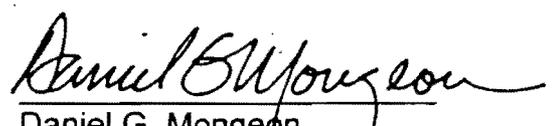
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Veterans Health Administration



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Assistant Secretary for Financial Management



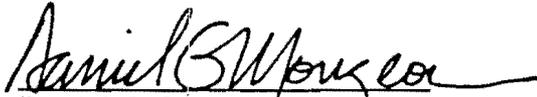
Gary J. Krump
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Department of Veterans Affairs



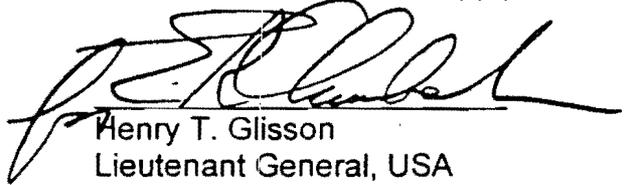
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Dr. Sue Bailey
Assistant Secretary of Defense
for Health Affairs

APPENDIX 2

MEMORANDUM OF AGREEMENT BETWEEN THE DEPARTMENT OF DEFENSE AND THE DEPARTMENT OF VETERANS AFFAIRS

PHARMACEUTICAL PRODUCTS

A. RESPONSIBILITIES OF VA

- (1) VA will continue to share contracting functions with the DoD in efforts to jointly procure high dollar, high volume pharmaceuticals under the auspices of the DoD/VA Federal Pharmacy Executive Steering Committee (FPESC).
- (2) The VA Office of Acquisition and Materiel Management (OA&MM) will make Blanket Purchase Agreement (BPA) and National contract information for pharmaceutical items available to DoD. VA will provide an electronic file of Federal Supply Schedule (FSS) data and pricing to DSCP for incorporation into the DoD distribution contracts.
- (3) Where legally possible and with the agreement of existing contractors, VA will modify their current pharmaceutical national committed volume contracts and FSS BPAs (preferred source agreements), to allow use of the favorable pricing by all DoD activities under DoD prime vendor contracts. Under existing FSS contract BPAs, addition of DoD facilities and/or requirements will be attempted immediately by opening bilateral modification negotiations. In the event DoD cannot be availed of the VA pricing, VA will include the DoD requirements during the next acquisition cycle for these items. To use BPA and/or committed volume contracts, DoD prime vendor customers will be required to make written volume commitments and commitments to the terms and conditions of the contracts to receive the favorable committed volume pricing. The VA price will include the industrial funding fee to be collected by VA from manufacturers.
- (4) VA shall allow DoD facilities to receive favorable committed volume pricing under all future VA BPAs and National Contracts, conditioned on VA receiving their written volume commitments and commitments to the terms and conditions of the contracts. The VA price paid by DoD facilities will include the industrial funding fee to be collected by VA from the contractors.
- (5) VA will attempt further discounted pricing as additional volume is accumulated.

- (6) VA will attempt to obtain FSS coverage with vendors who have current DoD DAPAs and significant sales under DoD prime vendor program. VA will attempt to add to current FSS contracts missing items that have sales under DAPA pricing. Until such items are added to the FSS, VA will negotiate with VA PVs to honor DAPA coverage and pricing for VA customers.
- (7) VA will facilitate the transition of DoD facilities currently on VA Prime Vendor (PV) distribution contracts to DoD's PV distribution contracts. VA will not promote its PV distribution contracts to DoD customers.

B. RESPONSIBILITIES OF DoD

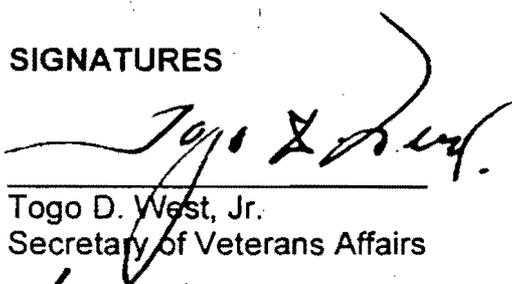
- (1) DoD will continue to share contracting functions with VA in efforts to jointly procure high dollar, high volume pharmaceuticals under the auspices of the DoD/VA Federal Pharmacy Executive Steering Committee (FPESC).
- (2) DoD will provide VA an electronic file of all DoD DAPA pricing and item usage data on a regular basis to allow VA to expand coverage of items and negotiate the same or lower prices under FSS. DoD will enter into negotiations with DAPA holders to modify their agreements to allow DAPA application to VA customers through the VA PVs, in those instances where DAPA items are missing from FSS or DAPA prices are lower than current FSS prices (without IFF).
- (3) DoD agrees to replace its DAPAs for pharmaceutical items with joint committed use contracts and FSS contracts wherever the latter's prices are equal to or below DAPA pricing. Replacement will be accomplished as quickly as practical under the circumstances, and DoD will not attempt to match or obtain a lower DAPA price on items already contracted for by VA. Within 90 days of the execution of this agreement, DoD will delete DAPA coverage for pharmaceutical items when VA demonstrates that its price is equal to or lower than the existing DAPA price. This process of price comparison and DAPA deletion will be performed by VA and DOD at least once each calendar quarter, as long as pharmaceutical DAPAs continue to exist.
- (4) Notwithstanding the above, DoD shall not delete DAPA coverage if such deletion would conflict with decisions regarding selected drugs made by the Department of Defense Pharmaceutical & Therapeutics Committees or other DoD clinical authorities regarding selected drugs.
- (5) For items where VA is not able to provide FSS or national contract coverage, DoD will retain the authority to enter into DAPAs.
- (6) DoD activities that elect to use VA BPAs or National Contracts will provide written commitment and annual requirement estimates.

- (7) DoD will proliferate available VA pharmaceutical FSS contracts and BPA pricing nationwide to all DoD activities. DoD will incorporate VA's pharmaceutical contract prices into DoD's electronic pharmaceutical catalogs, to include the Forward Customer Support system and Universal Data Repository – CD-ROM so all DoD customers can utilize VA's favorable pricing.
- (8) DoD will enter into negotiations to bilaterally modify all DSCP PV distribution contracts to require the delivery/distribution of all VA pharmaceutical items, including FSS, BPAs and national contract items when selected by the customer. DoD will not promote its PV distribution contracts to VA customers.
- (9) DoD will actively market VA's available FSS BPAs and national contracts and prices to all DoD prime vendor customers.
- (10) DoD will continue to contract for distribution programs that may employ technologies and techniques such as web-based ordering, overseas distribution, foreign manufacturers, etc. and manage special readiness related program contracts consistent with the necessity for the national defense.

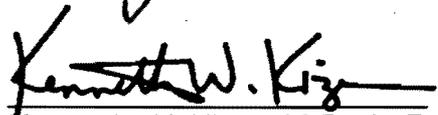
C. TERMINATION

Any modification or the termination of this Appendix will be accomplished in accordance with the procedures established as the main MOA delineates.

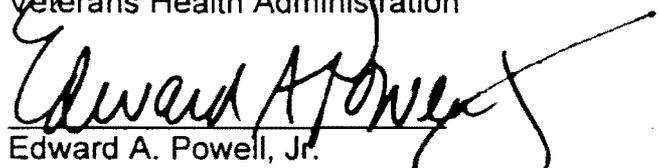
SIGNATURES



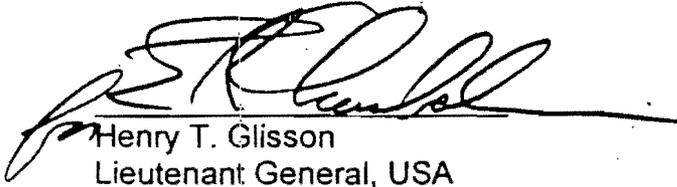
Togo D. West, Jr.
Secretary of Veterans Affairs



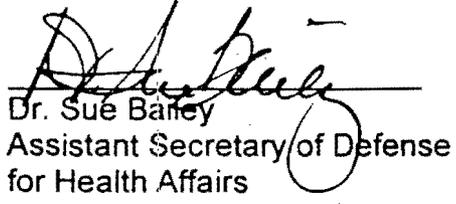
Kenneth W. Kizer, M.D., M.P.H.
Under Secretary for Health
Veterans Health Administration



Edward A. Powell, Jr.
Assistant Secretary for Financial Management



Henry T. Glisson
Lieutenant General, USA
Director, Defense Logistics Agency



Dr. Sue Bailey
Assistant Secretary of Defense
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Final version (Enrolled Bill) as passed by both Houses. There are 6 other versions of this bill.

References to this bill in the Congressional Record	Link to the <u>Bill Summary & Status file.</u>	Full Display - 537,181 bytes. [Help]
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S.1587

Federal Acquisition Streamlining Act of 1994 (Enrolled Bill)

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