



Comptroller General  
of the United States

Washington, D.C. 20548

*J. Cunningham*

## Decision

**Matter of:** Healthcare Systems Corporation

**File:** B-240030

**Date:** October 17, 1990

Leonard A. White, Esq., Goldstein, Handler & White, P.C., for the protester.  
Joseph Nowoslawski, for Trauma Service Group, an interested party.  
Herbert F. Kelley, Jr., Esq., Department of the Army, for the agency.  
James M. Cunningham, Esq., and John F. Mitchell, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

### DIGEST

Low bid is not materially unbalanced, and thus not subject to rejection as being nonresponsive, where the contracting agency expects to exercise the option quantities, and the record contains no basis for concluding that low bidder would not offer the lowest ultimate cost to the government.

### DECISION

Healthcare Systems Corporation protests the award of a fixed-price, requirements-type contract for specialty health care providers (involving the services of a pediatrician, emergency room physician, family practitioner, and physician's assistant) to Trauma Service Group, Ltd., by the Directorate of Contracting, Fort Bragg, North Carolina, under invitation for bids (IFB) No. DAKF40-90-B-0041. Healthcare contends that Trauma's bid for the services was materially unbalanced and should therefore have been rejected as nonresponsive.

We deny the protest.

The specialty health care services were to be provided at Army installations within the Fort Bragg area for a base period of 1 year (later reduced to 3 months by an IFB amendment) with two 1 year option periods. The IFB provided that bids would be evaluated and award made on the basis of the total aggregate price of the base and option periods. Healthcare and Trauma, along with eight other bidders, submitted bids. Trauma's and Healthcare's bids became low and second low bids, respectively, after the apparent low bid of another concern was determined to be nonresponsive. Trauma's and Healthcare's bids were as follows:

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	<u>Trauma</u>	<u>Healthcare</u>
Base period (3 months)	\$139,758	\$136,440
1st option period (12 months)	\$569,830	\$563,400
2nd option period (12 months)	\$420,974	\$581,040
Total	\$1,130,562	\$1,280,880

After examining the bids, the contracting officer states that she was concerned that Trauma's bid might be considered to be "mathematically unbalanced" (that is, a bid which contains nominal prices for some work and inflated prices for other work). Given this concern and the presence in the IFB of a clause which provided for the rejection of a "materially unbalanced bid" (that is, a mathematically unbalanced bid which raises reasonable doubt that acceptance of the bid will result in the lowest overall cost to the government), the contracting officer states that she decided to ask Trauma for "bid verification."

Trauma verified its base and option prices and provided a written explanation to the contracting officer concerning its pricing structure for these price differentials. Specifically, Trauma states that it is the company's "practice to price bids . . . on a downward trend" since the company's contracting experience showed that Trauma incurred expenses such as "recruiting, credentialling and travel" mainly at the beginning of a contract period and to a "much lesser extent" during latter contract periods. As to Trauma's projected labor costs for the contract, Trauma noted, for example, that it proposes to pay its pediatricians and emergency room physicians at a salary which is more than 1,300 percent higher than the average per capita income figure for the municipal area near where the services are to be provided and that this salary figure is competitive. Further, Trauma insisted that its long term contracts with physicians ensures stability in its workforce. Given this explanation, and the contracting officer's determination that the exercise of the options was "highly probable" based upon prior contracting experience<sup>1/</sup> for these services, the contracting officer then decided to award the contract to Trauma, whose bid becomes low during the first month of the second option period.

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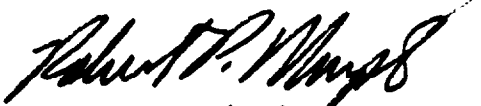
<sup>1/</sup> The contracting officer notes that previously all options have been exercised in prior solicitations for these services containing: (a) a 1-year base period plus 2 option years; (b) a 1-month base period plus two 1-month options; (c) a 3-month base period plus two 1-month options; and (d) a 2-month base period plus two 1-month options.

Healthcare complained that Trauma could not justify its pricing structure--especially for the second option year--given that "private industry healthcare labor costs will increase at an average of 4 percent in 1990 and at a minimum of 3 percent thereafter." Consequently, Healthcare argued that Trauma's bid should be rejected as materially unbalanced.

Except where a bid contains extreme front-loading, our analysis of whether bids are materially unbalanced between base and option years has hinged upon whether the contracting agency reasonably anticipates exercise of the options. Western States Management Servs., Inc., B-235956.2, Dec. 7, 1989, 89-2 CPD ¶ 524. In Western States, where the low bidder's first and second option year prices were about 22 percent and 33 percent, respectively, below its base year price, we concluded that the bid was not extremely front-loaded since the awardee's extra start-up costs were properly allocable to the earlier period of the contract.

We do not think this is a case of extreme front-loading. In contrast to Western States, Trauma's first and second option year prices are only about 2 percent and 25 percent, respectively, below its base period price (based on calculation of Trauma's base period price extended to a full 12-month period). In addition, as the agency points out, Trauma's bid for the base and first option periods is only about 1 and 2 percent higher, respectively, than the protester's and about 11 percent lower than the protester's for the entire potential contract period. Further, we conclude that the Army reasonably found Trauma's explanation of its pricing structure as justifying its labor costs as well as the front-loading of Trauma's "recruiting, credentialling, and travel" costs. We also conclude that, based upon prior contracting experience, the Army reasonably found that it was highly probable that the options would be exercised and that therefore there was no reason to doubt that Trauma was the low bidder for the entire period of the contemplated contract.

The protest is denied.

  
for James F. Hinchman  
General Counsel