

# GAO Highlights

Highlights of [GAO-18-34](#), a report to the Chairman, Committee on Veterans' Affairs, House of Representatives

## Why GAO Did This Study

VA medical centers spend hundreds of millions of dollars annually on medical supplies and services. In December 2016, VA instituted a major change in how it purchases medical supplies—the MSPV-NG program—to gain effectiveness and efficiencies.

GAO was asked to examine VA's transition to the MSPV-NG program and its use of emergency procurements. This report assesses the extent to which (1) VA's implementation of MSPV-NG was effective in meeting program goals, and (2) VA awards contracts on an emergency basis. GAO analyzed VA's MSPV-NG requirements development and contracting processes, and identified key supply chain practices cited by four leading hospital networks. GAO also reviewed a non-generalizable sample of 18 contracts designated in VA's database as emergency procurements with high dollar values; and met with contracting, logistics, and clinical officials at 6 medical centers, selected based on high dollar contract obligations in fiscal years 2014-2016 and geographic representation.

## What GAO Recommends

GAO is making 10 recommendations, including that VA expand clinician input in requirements development, calculate MSPV-NG cost avoidance, establish a plan for awarding future competitive contracts, and identify opportunities to strategically procure supplies and services frequently purchased on an emergency basis. VA agreed with GAO's recommendations.

View [GAO-18-34](#). For more information, contact Shelby S. Oakley at (202) 512-4841 or [oakleys@gao.gov](mailto:oakleys@gao.gov).

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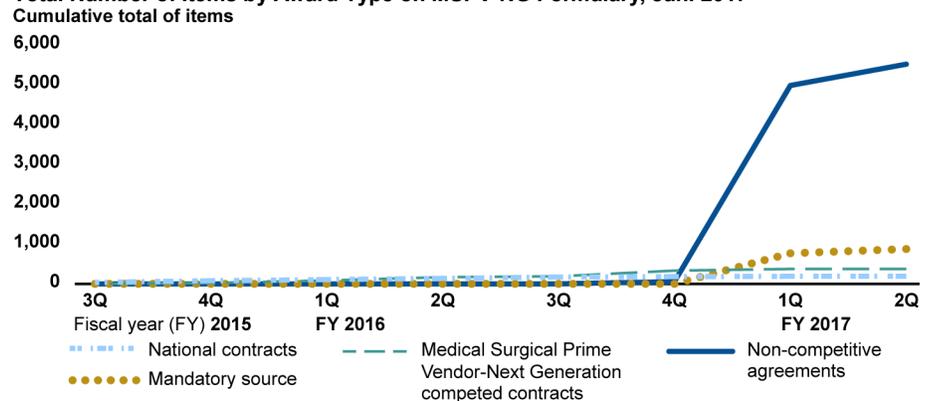
# VETERANS AFFAIRS CONTRACTING

## Improvements in Buying Medical and Surgical Supplies Could Yield Cost Savings and Efficiency

### What GAO Found

The Department of Veterans Affairs (VA) established the Medical Surgical Prime Vendor-Next Generation (MSPV-NG) program to provide an efficient, cost-effective way for its facilities to order supplies, but its initial implementation was flawed, lacked an overarching strategy, stable leadership, and sufficient workforce that could have facilitated medical center buy-in. VA developed requirements for a broad range of MSPV-NG items with limited clinical input. As a result, the program has not met medical centers' needs, and usage remains far below VA's 40 percent target. VA also established cost avoidance as a goal for MSPV-NG, but currently only has a metric in place to measure broader supply chain cost avoidance, not savings specific to MSPV-NG. Also, starting in June 2015, VA planned to award competitive contracts for MSPV-NG items, but instead, 79 percent were added using non-competitive agreements. (See figure.) This was done primarily to meet VA's December 2016 deadline to establish the formulary, the list of items available for purchase through MSPV-NG.

Total Number of Items by Award Type on MSPV-NG Formulary, Jan. 2017



Source: GAO analysis of Veterans Affairs formulary data. | GAO-18-34

The roll-out of MSPV-NG ran counter to practices of leading hospitals that GAO spoke with, which highlighted key steps, such as prioritizing supply categories and obtaining continuing clinician input to guide decision-making. VA has taken steps to address some deficiencies identified in the first phase of implementation and is considering a new approach for this program. However, until VA addresses the existing shortcomings in the MSPV-NG program, such as the lack of medical center buy-in, it will face challenges in meeting its goals.

Medical centers often rely on emergency procurements to obtain routine goods and services—some of which could be made available at lower cost via MSPV-NG. Sixteen of the 18 contracts in GAO's sample were not competed, which puts the government at risk of paying more. For instance, one medical center procured medical gas on an emergency basis through consecutive non-competitive contracts over a 3-year period. VA policy clearly defines emergency actions; however, inefficiencies in planning, funding, and communication at the medical centers contributed to emergency procurements, resulting in the contracting officers quickly awarding contracts with no competition.