



DEPARTMENT OF THE NAVY  
NAVSUP FLEET LOGISTICS CENTER NORFOLK  
700 ROBBINS AVENUE, BUILDING 2B  
PHILADELPHIA, PA 19111-5083

IN REPLY REFER TO  
280.3A/SM  
03 NOV 2013  
J&A #14-007

JUSTIFICATION AND APPROVAL  
FOR USE OF SOLE SOURCE

1. Contracting Activity: NAVSUP FLEET LOGISTICS CENTER NORFOLK CONTRACTING DEPARTMENT, PHILADELPHIA OFFICE

2. Description of the Action Being Approved: Award of a contract on a sole source basis for imaging services in support of BUMED from Anacomp, Inc.

3. Description of Supplies/Services. The Navy requires digitizing conversion of the Navy Members' Service Treatment Records (STRs), both Medical and Dental, and the delivery of the scanned STRs to the VA through the Healthcare Artifact and Information Management Solution (HAIMS) in support to the Navy's Bureau of Medicine and Surgery (BUMED). The contractor shall scan an estimated 5 -7 thousand STRs and deliver an estimated 1.08 million deliverable images per month. The estimated price is \$0.25 per deliverable image.

**Estimated Dollar Value**

Base Period (Jan 14 – 30 Jun 14)	Opt 1 (1 Jul 14 – 31 Dec 14)	Opt 2 (1 Jan 15 – 30 Jun 15)
\$1,625,000.00	\$1,625,000.00	\$1,625,000.00

**Total estimate (base plus 2 options): \$4,875,000.00.**

This effort will be funded with No-Year JIF HAIMS funds.

4. Statutory Authority Permitting SOLE SOURCE.

- **Section 4202 of the Clinger-Cohen Act of 1996 - a sole source acquisition under the authority of the test program for certain commercial items, as implemented by FAR 13.501(a).**

5. Rationale Justifying Use of Cited Statutory Authority.

In May 2013, the White House mandated that all Service Treatment Records (STRs) received by the VA as of 1 JAN 2014 shall be in electronic format and the Under Secretary of Defense has committed to the support of that mandate for paperless transfer of the STRs by January 2014. If the required services do not commence on 1 January 2014, not only will the Navy fail to meet Under Secretary of Defense's goal and fail to comply with the White House mandate, but also continuity of care for patients transitioning from Navy to VA care will be seriously damaged, and processing of claims and the provision of benefits to many eligible veterans will be significantly delayed.

BUMED has been working on a solution to this challenge since May 2013. It is a very complex challenge, with a need to, at a minimum, develop the integrated processes between the Navy and VA, define the business rules associated with those processes, determine the required infrastructure (building space, scanners, etc), resolve security issues, and assess the IT solution necessary to enable this very aggressive deadline to be met. BUMED is still working to define the long-term solution with plans to have a Performance Work Statement developed by the end of FEB 2014. The instant requirement represents the only short-term solution that will enable BUMED to comply with the White House mandate and the USD's goal to transmit all records in electronic format as of 1 JAN 2014.

A significant challenge inherent in this task is the provision of the required services in a secure manner since the task requires access to PII/PHI. All contractor employees under this contract who require access to Personal Health Information and Privacy Act protected information are categorized no lower than IT-II. At a minimum,

SOURCE SELECTION INFORMATION – SEE FAR 2.101 & 3.104

each contractor employee must be a US citizen and have a favorably completed NACLC to obtain a favorable determination for assignment to a non-critical sensitive or IT-II position. When an individual does not already possess a favorable determination for assignment, the timeframe for being granted interim access is estimated at 4-6 weeks, while a complete investigation is estimated to take 2-6 months.

The contractor's facility, infrastructure and processes must be certified compliant with federal standards for secure handling of Personally Identifiable Information (PII) and Protected Health Information (PHI) and the contractor must possess current Authority to Operate (ATO) under A&A.

These standards are:

- National Institutes of Standards and Technology (NIST) 800-53 Level 3
- Office of Management and Budget (OMB) Circular A130
- Privacy Act of 1974
- Health Information Portability and Accountability (HIPAA) Act of 1996

The Contractor must hold a current International Standards Organization (ISO) 9001:2008 Certification for the digitization of government records from an accredited ISO certification organization.

Additionally, to facilitate necessary quality assurance surveillance, the required services must be performed within the U.S. Capital Region.

Only Anacomp, Inc. has the capability to provide the required services by the required start date of 1 JAN 2014. Anacomp is the only firm with the requisite facilities, equipment, personnel, expertise and capacity to immediately take on this effort.

Failure to acquire these services from Anacomp, Inc. on a sole source basis will seriously jeopardize BUMED's ability to carry out its mission, will damage the continuity of care for Navy personnel transitioning to the VA, and will delay the processing of claims and the provision of benefits to many eligible veterans.

#### 6. Description of Efforts Made to Solicit Offers from as Many Offerors as Practicable.

Market research was conducted by representatives of the requiring activity and the contracting office. Since being made aware of the Presidential mandate to provide electronic STRs to the VA by 1 JAN 2014, the requiring activity has been researching many different courses of action to comply with the President's mandate. The requiring activity contacted both the Army and Air Force as each branch is responsible for delivering its STRs to the VA and must also comply with the mandated that all STRs received by the VA as of 1 JAN 2014 shall be in electronic format. Both the Army and Air Force are establishing central cells near the VA site in St. Louis where contractors will provide scanning services. This course of action required the procurement of very advanced scanners and a technology solution that was time- and funding- intensive. It was determined that this course of action would be good for the long term but, since the mandate did not include the implementation guidance and that guidance, which is currently being developed, is constantly changing, the Navy decided not to make the investment into equipment and space that may not meet the ultimate requirement. The short term solution was to begin scanning STRs into HAIMS on 1 JAN 2014 for approximately a year using a contractor who had the infrastructure and security (which was an extremely important consideration) to handle 13,000,000 images in a year (about 7,000 records per month). The intention is to work on the long-term competitive solution as soon as the short-term contract is in place. In the short term, the Navy requires contractor support to provide not only the scanning personnel, but also the necessary facility and equipment.

Once the Navy made their decision to use a short-term solution (around OCT 2013), the time remaining to get a contract in place to support the President's mandate was very minimal.

While conducting its market research, the requiring activity learned that RICOH could provide scanners at the Navy's locations; however, the requiring activity does not possess required manpower to perform the required services. As stated above, in the short term, the Navy requires contractor support to provide not only the scanning equipment, but also the necessary facility and personnel.

The requiring activity contacted the VA to find out information about the contractor support that the VA was receiving for similar electronic record conversions. The VA was aware of two companies that were providing

personnel to support the scanning requirement in the St. Louis area (one from Florida and one from Wisconsin); however, the sites at which the contractors were working were provided by the Government and the only resource the contractor was providing was the personnel. As stated above, in the short term, the Navy requires contractor support to provide not only the scanning personnel, but also the necessary facility and equipment. The VA identified one contractor performing conversion services in the DC Metro area. The services provided included the infrastructure (building, scanners, and storage space), personnel, and required security for services of this nature (PII/PHI). This contractor is Anacomp. The VA was not aware of any other contractor with the capability. BUMED also learned of a BUPRS electronic record conversion that was being performed by Anacomp in the DC Metro area that had similar security implications (PII being scanned) and similar quantities.

The contracting office also performed market research to find companies that we could contract with to meet the customer's requirements. The requirements that were most important in meeting the customer's needs were as follows: a company that already had:

- Infrastructure (high speed, 100% accurate scanners),
- Space to handle 7,000 STRs/per month,
- Secure IT processes already in place, and
- Personnel who could meet the security requirements (NACLC level) for the handling of PII/PHI.

In addition, the contractor had to be in the DC Metro area in order for the Government to be able to provide the necessary oversight/surveillance required of the COR (a BUMED HQ employee located in Falls Church, VA - with little-to-no travel money or time) to ensure that the standards were being met.

Through research, we had to find a contractor who could respond to a solicitation very quickly in order to meet the required deadline of 1 JAN 2014 start of services. The contracting office had less than 60 days to put a contract in place. The market research performed by the contracting office included a search of 8(a)s, GSA Schedules, and a reliance on the research performed by the requiring activity previously. The only 8a found was Blue Beacon but it was quickly determined that they did not have the infrastructure or the security-cleared personnel necessary to be able to support at least 50% of the cost of performance and thus could not meet the "Limitations on Subcontracting" clause. There were other companies that had GSA Schedules for scanning but none that we could find that met all the requirements necessary for this particular procurement. They couldn't handle the volume or the security requirements and/or they were not in the DC Metro area.

The conclusion was that the only company who could provide these services in the time required was Anacomp.

A synopsis of the proposed procurement notifying industry of the government's intent to solicit on a sole source basis with Anacomp, Inc. was published in FEDBIZOPS (through NECO) on 5 DEC 2013.

7. Determination of Fair and Reasonable Cost. The Contracting Officer has determined the anticipated cost to the Government of the supplies/services covered by this J&A will be fair and reasonable.

8. Actions to Remove Barriers to Future Competition.

The instant requirement represents a short-term solution for the Navy to begin transmitting STRs to the VA by 1 January 2014. The Navy is in the process of finalizing a long-term solution. BUMED will provide NAVSUP FLCN with a procurement package describing the requirements for contractor support associated with its long-term solution for the transmittal of STRs to the VA no later than 28 February 2014. The estimated date for release of a competitive solicitation is 1 July 2014.

## 9. CONTRACTING POINT OF CONTACT

Leanne Hanger, Contracting Officer, 215-697-9690, leanne.hanger@navy.mil.