NIH Contract Guide

Administration's Emphasis on Health IT Will Boost New NIH GWACs

White House approves CIO-SP3 contracts valued up to $20 billion each

The National Institutes of Health's Information Technology Assessment and Acquisition Center (NITAAC) is preparing to launch a new Chief Information Officer-Solutions and Partners 3 (CIO-SP3) program that the White House says will fill an important need for agencies with health-related responsibilities.

The Office of Management and Budget (OMB) on July 20 designated NIH as an executive agent for the CIO-SP3 and CIO-SP3 Small Business governmentwide acquisition contracts (GWACs). Each contact will offer a wide range of IT services and solutions, with a special focus on health-related IT services. The 10-year, indefinite delivery, indefinite quantity (IDIQ) CIO-SP3 contracts will each have $20 billion ceilings.

"The programmatic expertise of [NIH's] in-house scientists and medical experts will provide strong support for the award and management of its contracts," OMB said in a statement announcing that it had renewed NIH's GWAC authority. "The new GWAC vehicles will also provide increased opportunities for small businesses in federal contracting, allowing agencies to tap into the talents of this community as they work to achieve best value for their missions and our citizens."

The solicitation for the CIO-SP3 full-and-open contract will be issued toward the end of August, with proposals due in late October, NITAAC officials said. Awards are anticipated to be made late June 2011. The CIO-SP3 Small Business solicitation will be issued in mid-September, with proposals due in late November and awards anticipated in late June 2011.

NITAAC officials, who oversee NIH GWACs, expect the two CIO-SP3 solicitations to draw strong interest from federal agencies. The new GWACs will provide a wide scope of IT services and solutions in ten major task areas, and will require that solutions be aligned with the Federal Health Architecture. NITAAC also has made numerous improvements to its ordering processes, thus making the contract easier to use and more attractive to federal procurement officers. And the separate CIO-SP3 Small Business contract will make it an attractive vehicle for meeting small business goals.

With federal spending on health IT expected to total up to $25 billion through fiscal 2014, NITAAC officials anticipate robust business from federal organizations with health IT requirements. "The health IT market will provide great opportunities for government programs and the health IT industry over the next several years," said Robert Coen, NITAAC deputy program director.

The CIO-SP3 contracts will give federal agencies "access to the most progressive and innovative technologies and solutions available from contractors that are expert both in IT and health-related fields."

Diane Frasier, Director of the NIH Office of Acquisition and Logistics Management

"NITAAC offers the most mature acquisition program for health IT services and products within government."

Overseeing three GWACS

NIH is part of the Department of Health and Human Services (HHS). NITAAC currently oversees three GWAC contracts:

- CIO-SP2 Innovations (CIO-SP2i) for IT services and solutions. The 10-year contract, which has a $19.5 billion ceiling, was awarded to 44 prime contractors and expires on December 20, 2010.
- Image World 2 new dimensions (IW2nd) for imaging services. The 10-year contract, which has a $15 billion ceiling, was awarded to 24 primes and also expires on December 20, 2010. The task areas from IW2nd will be incorporated into the new CIO-SP3 contract.
- Electronic Commodities Store III (ECS III) for

IT hardware, software and related services. The 10-year contract, which has a ceiling of $6 billion, was awarded to 60 companies and expires on November 26, 2012.

NITAAC is a self-sustaining organization, which means that it pays for its systems, services and staff through the fees it charges customers to use its GWAC contracts. The administrative fee for CIO-SP3 will be 1 percent for the full and open contract, and 0.75 percent for the small business contract. The fee for ECS III is 0.5 percent. Any sales revenue generated by the fees that exceeds the cost of operating the program is invested in new systems and other improvements to boost customer service.

Daniel Gordon, administrator of the Office of Federal Procurement Policy (OFPP), recently completed

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Mary Armstead, NITAAC Program Director

an exhaustive review of the NITAAC programs, which culminated in OMB renewing NIH's executive authority for the CIO-SP3 and CIO-SP3 Small Business GWACS. Mary Armstead, NITAAC program director, described the review as "very positive."

NITAAC released a draft request for proposal (RFP) for CIO-SP3 in November and is now preparing to release the final RFP for both CIO-SP3 contracts. Because the existing CIO-SP2i and IW2nd contracts expire in December, NITAAC likely will need a short-term extension of those contracts until CIO-SP3 is underway, Armstead said.

Anticipating customer requirements

Although the CIO-SP3 solicitations are designed for NIH and HHS customers, the scope of IT services and solutions is broad enough to serve the requirements of other federal agencies, which also can use the contract vehicle. In creating CIO-SP3, NITAAC officials talked with customers about their current and future needs, and also examined recent legislation, such as the American Recovery and Reinvestment Act and Patient Protection and Affordable Care Act, to anticipate agencies'

health IT requirements. The statement of work in the draft RFP states that the focus of the contract "is to proactively address issues deemed vital to the federal government and specifically to provide health and biomedical-related IT services in support of federal agencies' health missions." The contract requires that services and solutions for biomedical research and healthcare support the Federal Health Architecture (FHA), which coordinates interoperable health IT efforts.

"We intend to ensure that contractors that receive awards on the CIO-SP3 contract are capable in federal IT, that they understand the federal health architecture and understand the requirements that the federal government has in aligning their work to FHA," Coen said.

Many agencies beyond NIH and HHS have health IT requirements, including the Department of Defense, Veterans Affairs, NASA, National Science Foundation, and Department of Agriculture. These agencies will need solutions that are compliant with federal health IT standards, said Ray Bjorklund, senior vice president and chief knowledge officer for FedSources, and "so being able to turn to an agency that has a contract vehicle written along the lines of the FHA could be very attractive."

Kevin Plexico, senior vice president of research and analysis services with INPUT, agrees. "The extent to which NIH emphasizes health IT and makes that a focus of the new CIO-SP3 RFP will enhance its ability to attract a larger volume of health IT work than it has attracted under CIO-SP2," Plexico said.

This is precisely the goal of the new GWACs. Diane Frasier, Director of the NIH Office of Acquisition and Logistics Management, said the CIO-SP3 contracts will give federal agencies "access to the most progressive and innovative technologies and solutions available from contractors that are expert both in IT and health-related fields." Testifying June 30 at a Senate subcommittee hearing on interagency contracts, Frasier said, "With the advent of the Affordable Health Care Act, solutions made available through these vehicles will go far in assisting federal agencies in executing reform initiatives and aligning with the Federal Health Architecture."

Strengthening Customer Service

During the past year, NITAAC has rolled out an electronic ordering system that provides agency customers with a variety of tools and services for using the CIO-SP contract. It enables them to manage their requirements and solicitations online, communicate with vendors, and review vendor proposals. The ordering system also enables NITAAC to review requirements quickly and release proposals to vendors. The system automatically ensures that agencies comply with regulations requiring that they provide contract holders with a "fair opportunity" to be considered for each potential order.

"It's a very efficient model for doing competition and

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provides a great deal of information for the customer, the contract holder and our program office to maintain a record of each order that goes through the system," Coen said. The rich database enables agencies to "track their task orders from pre-award through award and administration and close-out," he said.

Equally important, the system requires very little training to learn and is simple to use. "Our customers tell us they can easily put in orders in as little as 10 minutes," Coen said.

Along with implementing the new ordering systems, NITAAC also reengineered aspects of its task-order review process. When agencies submit a statement of work, NITAAC reviews it to ensure that it is within scope of the contract. NITAAC also provides feedback

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to help customers better define their requirements or improve their statements of work. NITAAC now reviews and returns statements of work to customers within 24 hours, Coen said.

These changes followed the establishment of a robust customer service help center just a little over a year ago. The help center systems track customer calls and

e-mails to ensure that customers get feedback and the help they need. "It's our intention that everything gets resolved within 24 hours. We don't want customers or vendors waiting for answers," Coen said.

Armstead said NITAAC continues to build upon these upgrades in infrastructure and processes to improve the use of data that is collected by the new systems. "As an executive agent for the acquisition of IT, we are accountable to OFPP to report annually on our efforts, such as the extent of utilization of small businesses and the quality of our performance," Armstead said. "We also conduct surveys with customers and vendors to gauge the level of satisfaction. We are monitoring and measuring a variety of dimensions, not just to plug into our annual reports, but to continually improve our efforts."

Aggressively pursuing customers

Bjorklund said these activities, along with strong federal health IT spending, should help to boost NIH's GWAC sales. Agencies that have GWAC programs and other interagency contracts compete for customers, and so they have to continuously refine and upgrade their services. "You have get out there and market your contract and provide methods, processes, standards and tools that make it simple for your customers to place an order and then have it fulfilled," he said. "It looks like NITAAC is realigning itself to be much more competitive."

In fact, NITAAC officials say they are doing just that. They have stepped up training efforts as well as outreach to potential customers, demonstrating for contracting officials throughout government how to place orders using the NITAAC systems.

"The buying community has many options, and they often do things the way they have for many years, so we feel it is our responsibility to go out and educate the buying community about this opportunity they have to more quickly and efficiently meet their IT needs for products and task order services for IT," Coen said. ❑

Snapshot: CIO-SP3 and CIO-SP3 Small Business GWACS

CIO-SP3
- Full and open contract for federal contractors of any size
- Provides IT services and solutions for all federal agencies, with a focus on health IT solutions
- Vendors required to qualify for 10 task areas
- Contract ceiling: $20 billion over 10 years
- IDIQ task order contract
- Expected award date: Late June 2011
- Fee: 1 percent

CIO-SP3 Small Business
- Reserved for federal small businesses
- Provides the same IT services and solutions as CIO-SP3 (full and open)
- Vendors required to qualify for a limited number of task areas (three task areas for small businesses and two for HubZone, 8(a), and Service-Disabled Veteran-Owned)
- Contract ceiling: $20 billion over 10 years
- IDIQ task order contract
- Expected award date: Late June 2011
- Fee: 0.75 percent

NITAAC Plans Big Changes to Spur Small Business Sales

The CIO-SP3 Small Business contract could generate sales equal to or even exceeding its full-and-open counterpart, according to NITAAC officials.

The planned small business contract will be the first NIH GWAC that is exclusively for small businesses. Under the current CIO-SP2i contract, large and small businesses compete against each other for task orders. CIO-SP3 Small Business will enable agencies to create set-aside opportunities in four categories:

- Small Business
- Service-Disabled Veteran-Owned Small Business
- 8(a) Small Disadvantaged Business
- Historically Underutilized Business Zone (HUBZone)

"We are taking an aggressive approach to protecting the interests of the NITAAC small business community," said NITAAC Program Director Mary Armstead. "We want to provide the richest opportunity we can for small businesses."

NITAAC officials point to several features that will make the set aside solicitation attractive to small businesses. Although the set-aside solicitation will contain the same 10 task areas as the open solicitation, small

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businesses will be required to demonstrate capability for a minimum of only three task areas; and HUBZone, Service-Disabled Veteran-Owned, and 8(a) small businesses will be required to demonstrate capability in only two task areas. In contrast, vendors must qualify for all 10 task areas in order to be considered for an award on the open contract. The small business contract will have a $20 billion ceiling over 10 years – the same as the open contract – thus reflecting

NITAAC's confidence that it will be widely used. Finally, NITAAC will charge a reduced fee of 0.75 percent – the fee is 1 percent for the open contract – as added incentive for agencies to use CIO-SP3 Small Business.

NITAAC officials declined to predict how many small businesses they will select for the contract, saying the number will be depend on how many qualified proposals they receive. However, they said that each task area will require at least two contactors from a particular set-aside category in order to have a set-aside competition for that task area.

Thus far, about 13 percent of the total value of task orders and delivery orders has gone to small businesses under CIO-SP2i, IW2nd and ECS III. NITAAC officials believe the planned changes in CIO-SP3 will ensure that a larger share of potential dollars is awarded to small and small disadvantaged businesses when the new contracts are awarded.

"We have equal contract ceilings for both contracts because we think both contracts will be utilized equally – or perhaps the small contract will be utilized even more," said NITAAC Deputy Program Director Robert Coen.

Encouraging Small Business Subcontracting

NITAAC also will continue emphasizing small business subcontracting goals under the CIO-SP3 open contract, officials said. The draft CIO-SP3 request for proposal states that large contractors will be required to spend a minimum of 39.9 percent of their subcontracting dollars with small businesses. This includes the following subcontracting goals:

- HUBZone Small Business: 3 percent
- Woman-Owned Small Business: 5 percent
- Service-Disabled Veteran-Owned Small Business: 3 percent
- Small Disadvantaged Business: 5 percent

"The contract that will be very attractive to federal customers in helping them meet their small business goals and also attractive to the small business community because it provides them a great opportunity to grow their businesses and play in the federal IDIQ market place without having to compete with large businesses," Coen said. ❑

ECS III: Upgrades Speed Delivery of IT Products to Agencies

The Electronic Commodities Store III (ECS III) program has upgraded its systems for adding new products and providing price quotes to customers, reducing significantly turnaround times for each of these processes.

The ECS III contract enables agencies to purchase computer hardware and software, including related maintenance and support services. NITAAC charges a fee of 0.5 percent to use the contract, with fees capped at $10,000 per order.

Among the most significant improvements to ECS III within the past year is the Electronic Technology Refreshment Proposal Information Management System, which allows vendors to submit requests electronically when they want to add items. Before approving the new products, NITAAC must review the products to ensure that they fall within the scope of the contract, comply with federal environmental regulations for IT products, are priced appropriately, and meet other contract requirements. With the new system in place, a process that once could take days or even weeks has been reduced to a matter of hours.

"Our average turnaround is just eight hours for an item to be reviewed and approved and notification sent back to vendors so they know they can sell that item," NITAAC Deputy Program Director Robert Coen said.

The streamlined process is valuable for both agencies and contract holders, said Esther Burgess, senior vice president with Vistronix, a subcontractor on NIH GWAC task orders. "Customers want the latest and greatest IT products, and so, as a vendor, you want to be able to add new products as soon as they become available," she said.

ECS III hardware and software products

ECS III products and services are divided into the following six Lots:

LOT 1: Commercial Hardware, Software, and Networking Equipment

LOT 2: Commercial Telecommunications Equipment

LOT 3: Scientific Research Workstations, and Other Electronic Devices and Systems

LOT 4: Software (Including Operating Systems)

LOT 5: Related Warranty and Maintenance Services

LOT 6: Support services that provide direct support to Lots 1-5 products/services that are being (or have been) acquired under ECS III.

Getting faster price quotes

NITAAC officials also have enhanced the Request for Quotation (RFQ) system used by customers to solicit quotes from ECS III vendors. Coen said it takes as little as five minutes to place an order using the new system, which automatically sends out the RFQ to qualified vendors, providing them with a fair opportunity to compete for the work. Vendors can interact with customers through the system, and contract awards can be made in three days or less. And micro-purchases and exceptions to fair opportunity can be made in one day. In addition, purchasers do not require a Delegation of Procurement Authority from NITAAC.

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"With this system, the process builds in the transparency," Coen said. "It gathers information for our customers and contractors, and it provides the information we need to report on a regular basis for OMB requirements."

NITAAC officials require ECS III contractors to offer discounted prices, and say that all prices are at or below the vendors' catalog list prices. "Pricing on the contract is very aggressive. We have a rigorous process that we go through to ensure that pricing is discounted for our customers," Coen said.

For this reason, the Department of Health and Human Services (HHS) designated the ECS III contract as a strategic sourcing vehicle for the department. This means that HHS agencies and offices must look to ECS III first to determine whether it can meet their requirements and needs. As a result of this designation and the improved systems, the ECS III contract is generating a lot of interest within HHS and outside the department.

We've made a lot of changes for the customers and the vendors. We think ECS III has a lot of potential for growth," Coen said. ❑

GWACs Benefit From Strong Industry Commitment, Partnership with NITAAC

The NITAAC Industry Advisory Council (IAC) is working hand-in-hand with NIH program officials to strengthen customer services and expand outreach to federal agencies, according to IAC's government and industry representatives.

The NITAAC IAC consists of representatives from NIH and its GWAC contract holders. IAC serves as a mechanism for communication between vendors and the NITAAC officials who oversee the GWACS. In addition, IAC's subcommittees conduct extensive research into government policies and contracting practices to help improve the program's performance. Diane Frasier, director of the NIH Office of Acquisition and Logistics Management, chairs the IAC, which meets bi-monthly.

The IAC has three subcommittees:
• Programs Subcommittee. Develops new ideas and creates initiatives to improve programs and processes;
• Government Affairs Subcommittee. Monitors legislation, regulatory requirements, government and industry standards that impact NITAAC, vendors, or their potential customer agencies; and provides recommendations for action;
• Marketing Subcommittee. Promotes the use of NITAAC contract vehicles to federal agencies and other vendors.

"We are like an extra set of eyes and ears for NITAAC," said Esther Burgess, who is senior vice president and deputy chief operating officer for Vistronix, a subcontractor on CIO-SP2i task orders. For example, the Government Affairs Subcommittee will look at legislation and proposed rules that might affect the NITAAC program, such as small business recertification. It will then recommend alternatives NITAAC might consider in response to proposed rules and regulations.

"It's a win-win for both sides," said Linda Martin, director of the Federal Acquisition Center of Excellence for Unisys, which is a CIO-SP2i contract holder. Martin, who is the chair of the Marketing Subcommittee,

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> *Mary Armstead, NITAAC Program Director*

said NITAAC gets the benefit of industry's broad reach and resources, while vendors get a stronger contract vehicle to market among agencies.

Recently, for example, the Programs Subcommittee conducted a study of Indefinite Delivery/ Indefinite Quantity (IDIQ) contracts and GWACs that are IT services oriented to find best practices in the federal government, including those already in place at NITAAC. Joe Corcoran, who is business development manager for Govplace, an ECS III vendor, said the study highlighted the most compelling features of contracts in the federal market. The study, delivered in July, identified "exciting new innovations, compelling value adds, and useful tools that can benefit NITAAC's customers and contract holders," he said.

'Real work gets done'

NITAAC and industry officials say their relationship is highly collaborative as both groups work together to improve the program. "The NITAAC executives listen to us and are always very responsive to what we do," Martin said.

NITAAC officials also use the IAC meetings to inform industry members of program developments and changes, such as improvements to the website and online tools. "The vendors are quite active and engaged," said NITAAC Director Program Mary Armstead. "Real work gets done at these meetings." ❑

OMB: CIO-SP3 Promises 'Enhanced Value for Government'

The Office of Management and Budget (OMB) ended months of speculation when, on July 20, it designated the National Institutes of Health as an executive agent for the CIO-SP3 GWAC and the CIO-SP3 Small Business GWAC.

OMB said it approved the request because the CIO-SP3 contracts "promise enhanced value for the government and our taxpayers." In particular, OMB cited the contracts' emphasis on health-related information technology and the increased opportunities they provide for small businesses.

The Office of Federal Procurement Policy (OFPP), the OMB office that oversees federal GWACs, took longer than expected to evaluate the business case for creating the two CIO-SP3 contract vehicles. OFPP Administrator Daniel Gordon conducted an extensive investigation, talking with multiple stakeholders in the federal acquisition community. These included agency users of NIH's existing GWACs, agency managers of GWACs and other interagency contract vehicles, industry trade associations and congressional staffers.

While the investigation was in process, the Government Accountability Office (GAO) issued a lengthy report on GWACs and multiagency contracts, called MACs. The report, "Contracting Strategies: Data and Oversight Problems Hamper Opportunities to Leverage Value of Interagency and Enterprisewide Contracts," was prompted by concerns that agencies were creating duplicative and unnecessary governmentwide contracts with little oversight or controls.

GWACs are a small group of information technology contracts that OFPP authorizes and tightly manages. Only four federal agencies – NIH, NASA, the Environmental Protection Agency, and the General Services Administration – have GWAC authority. In contrast, individual agencies can establish MACs and allow other agencies to use them, as dictated in the Economy Act.

GAO identified several problems with MACs and other enterprisewide contracts in its April report. GAO said that limited governmentwide policy exists for establishing and overseeing MACs and enterprisewide contracts. The report also said that the number of MACs and other enterprisewide contracts is unknown, and that the rising number of contracts is driving up vendors' costs, because they must spend an inordinate amount of time and money competing for a spot on each contract. Ultimately, the vendors' costs are passed on to the government. However, GAO was not critical of GWACs.

Gordon signaled his general satisfaction with GWAC management at a June 30 hearing on interagency contracts before the Senate Homeland Security and Governmental Affairs subcommittee on contracting oversight. "The discipline and transparency applied to GWACs have helped to enhance the value of contract products and services available to agencies," Gordon told the subcommittee.

Gordon said that agencies seeking to establish GWACs are required by OMB to prepare business cases describing the need for the vehicle, such as the anticipated level of agency usage, the value that its creation would add, and the agency's suitability to serve as its executive agent. Gordon said OFPP intends to issue guidance requiring agencies to develop similar types of business cases for creating MACs.

The decision to grant GWAC authority to NIH is good news for other GWAC programs as well. NASA, which runs the Solutions for Enterprisewide Procurement (SEWP) IV program, comes up for review in 2012. However, analysts say that scrutiny of GWACs will continue, and that program officials will still have to demonstrate their value. "Since 2005, GAO has considered Interagency Acquisition – particularly GWACS and MACs – to be a high risk area. GAO is not going to back off," said Ray Bjorklund, senior vice president and chief knowledge officer of FedSources. "So GWACs will remain in the limelight along with MACs." ❏