

VA Begins Seeking MSPV 2.0 Partners

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The Department of Veterans Affairs (“VA”), Veterans Health Administration (“VHA”) has begun the move toward its new Medical/Surgical Prime Vendor (“MSPV”) 2.0 program by issuing the formal [RFP](#) seeking prime vendors for distribution and supply management services on June 3, 2019. The MSPV 2.0 program will replace the current MSPV-Next Generation program, and is designed to deliver medical, surgical, dental, and laboratory supplies to VA medical centers using a just-in-time model. Under MSPV 2.0, several prime vendors will manage distribution of some 49,000 different supplies, which they acquire from manufacturers and other suppliers, to all VA medical centers around the United States and U.S. territories. MSPV 2.0 involves three interrelated sets of agreements: (1) prime vendor IDIQs with the VA, (2) VA BPAs with suppliers, and (3) prime vendor agreements with the suppliers.

Proposals for the 36-month term prime vendor IDIQ contracts are due July 8, 2019. MSPV 2.0 prime vendors will be responsible for managing and distributing products contained on an approved master list (the MSPV Product List). Prime vendors must acquire the products from authorized suppliers, maintain inventory of those products, and distribute them to VA medical centers across the United States and U.S. territories as needed. The VHA estimates the MSPV Product List, which the Office of Procurement for the VHA will maintain, will ultimately contain over 49,000 items. Under MSPV 2.0, prime vendors will service a particular Veterans Integrated Service Network (“VISN”), or geographic area, with the same prime vendor eligible to perform in multiple VISNs. In addition to VA medical centers, the Federal Bureau of Prisons, the Department of Health and Human Services, and the Indian Health Service are authorized to order from prime vendors under the program.

The VA will negotiate supply prices with the suppliers under blanket purchase

agreements, which will be listed alongside each product on the MSPV Product List. The VA also has begun rolling out RFPs for supplier blanket purchase agreements under the program. The RFP indicates that the VHA may continue to add and remove supplies and suppliers from the MSPV Product List throughout the life of the program. VISNs in Arizona (VISN 22), New Hampshire (VISN 1), and Colorado (VISN 19), all have issued requests for quotations. VISNs in Rhode Island (VISN 1), Maryland (VISN 5), Virginia (VISN 6), and California (VISN 22) have issued presolicitation notices.

Each prime vendor will be responsible for entering into commercial contracts (containing terms and clauses specified by the VA in the solicitation, including standard FAR and VAAR flowdowns) with all suppliers who have products on the MSPV Product List. The prime vendor and supplier must agree on a price the supplier will charge the prime vendor, working backwards from the price listed on the MSPV Product List. Prime vendors have 60 days to establish contracts with new suppliers added to the MSPV Product List. Prime vendors may collect a maximum 5% in commercial fees from suppliers, and may collect a separate distribution fee from the VA upon filling actual orders.

The new MSPV 2.0 program will create a complex web of government procurement contracts and pricing among the VA, prime vendors, and suppliers. As with any new government contract, it will be important for prime vendors and their suppliers to understand the standard FAR and VAAR clauses contained in the prime contracts and flowed down to the suppliers, as well as the unique compliance burdens this program will impose. Contrary to the popular phrase, “What you don’t know **can** hurt you.” Prime vendors and suppliers would be well advised to seek guidance on the front end of this emerging business opportunity. Waiting for the problems to materialize is rarely the most prudent course of action.

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