DLA Troop Support
Medical Supply Chain
Agenda

• Defense Supply Center Philadelphia - Medical
  – Landscape, Mission & Business Operations
• Medical/Surgical Distribution & Pricing Agreements (DAPAs)
• Electronic Catalog (ECAT) Opportunities
• Readiness Contingency Contracting Opportunities
• Subcontracting Opportunities
• Summary
  – What We Want To Leave You With
Federal Medical Landscape

• DLA purchases ~$4.5B of Medical Materiel each year for DoD & other Federal Agencies… We expect future purchases to grow

• Federal, DoD & DLA Acquisition Regulations & Policies require a “fair & reasonable” determination on the prices for all items we purchase

• DLA’s mission environment is becoming more cost constrained… requiring us to be more efficient

• Opportunities to do business with DLA
  – Distribution & Pricing Agreements supporting Prime Vendor Program
  – Electronic Catalog (ECAT)
  – Readiness Contingency Contracts
  – Subcontracting
Our Focus

Institutional (Peacetime)

Every Day

- Brick & Mortar Hospitals
  - Department of Defense
  - Federally Funded Hospitals
- Clinics
- Mail Order Pharmacies
- Veterans Administration
- Foreign Military Sales
- Indian Health Service

Operational (Readiness)

Every Crisis

- Deployed & Deployable Units
  - Southwest Asia
    - Afghanistan
    - Iraq
  - Europe
  - Korea
  - Central America
  - Africa
  - United States

Mission: Provide Medical Materiel Support to the Department of Defense Every Day and in Every Crisis
The Big Picture

**Medical**

**Customers / Items**
- Customers: 8900+
- Orders: 75,000 annually
- Items: PV 370,000
  - ECAT 1M

**Sales**
- FY06: $3.931B
- FY07: $4.140B
- FY08: $4.229B
- FY09: $4.531B

**Inventory**
- FY06: $254M
- FY07: $277M
- FY08: $343M
- FY09: $300M

**Personnel / Vendors**
- Employees (auth): 315 civilian
  - 15 military
- Suppliers: 1,200

FY10 sales forecast $4.618B
FY09 Medical Sales by Major Program
Total = $4.531 Billion

- Pharmaceutical Prime Vendor: $2.8B (64%)
- Traditional Pharmaceutical: $252M (5%)
- Medical/Surgical Prime Vendor: $477M (10%)
- Capital Equipment: $437M* (10%)
- Web-based Catalog: $124M (3%)

*Includes ~$96M in Sales VIA ECAT
### Top Customers By Service FY10

#### Top Army
- USAMMA: $142M
- Brooke AMC: $40M
- Madigan AMC: $36M
- W Reed: $35M
- Womack AMC: $30M
- Darnell AMC: $27M
- Ft. Belvoir: $25M
- Tripler AMC: $22M
- Ft Detrick: $22M
- Ft Bliss: $21M
- Ft Gordan: $19M
- 3rd HQ HHC: $18M
- Ft Campbell: $17M
- Ft Benning: $16M

**Total Army Sales:** $781M

#### Top Air Force
- Lackland AFB: $53M
- Wright Patterson AFB: $35M
- Travis AFB-Grant MC: $24M
- AFMLO: $23M
- KELLYUSA: $22M
- USAF Academy: $19M
- Scott AFB: $19M
- Keesler AFB: $18M
- Eglin AFB: $16M
- MacDill AFB: $15M
- Nellis AFB: $13M
- Langley AFB: $11M
- Patrick AFB: $9M
- Elmendorf AFB: $8M
- Luke AFB: $8M
- Maxwell AFB: $7M

**Total AF Sales:** $461M

#### Top Navy
- Portsmouth NMC: $52M
- San Diego NMC: $47M
- Bethesda Nat’l NMC: $30M
- NAVMEDLOGCOM: $21M
- Camp Pendleton NH: $15M
- Pensacola NH: $14M
- Camp Lejeune NH: $13M
- Nav Med Log Com: $11M
- Bremerton NH: $10M
- Great Lakes NHC: $10M
- Okinawa NH: $9M
- Jacksonville NH: $9M

**Total Navy Sales:** $333M

#### Top DoD Other
- Express Scripts: $526M
- St. John Hospital: $10M
- Martins Point HC: $7M
- Wyman Park HC: $7M

**Total DoD Other:** $609M

#### Top Non-DoD
- HHS NIH Pharm: $17M
- HHS NIH Matl Mgmt: $2M
- VA Medical Center: $2M

**Total NonDoD:** $34M

#### Marines
- Quantico: $11M
- Camp Lejeune: $9M

**Total Marines:** $41M

#### Coast Guard
- $5M
Performing a Critical Mission

Humanitarian Missions

• Pacific Partnership 2010
  – Planning stage for support to Pacific Rim
• USNS Comfort – Continuing Promise ‘09
  – Patients treated: 100,049
  – Surgeries: 1,657
  – Prescriptions: 135,000
  – Dental Patients 15,003

Haiti Earthquake Relief

• Response To Haiti Earthquake
  – Over 5,800 orders
  – Over $14.5M in Medical materiel
Medical/Surgical Prime Vendor Distribution & Pricing Agreements
Medical Surgical Prime Vendor Contract Facts

- Two primary and two back-up prime vendor contracts per global region

- Primary prime vendors
  - Cardinal Health
  - Owens & Minor (O&M)

- Back-up prime vendors
  - American Medical Depot (AMD)
  - Midwest Medical Supply (MMS)
  - Cardinal
  - O&M
Medical/Surgical Prime Vendor Regions
Pricing Agreements (DAPAs & RIAs)

- Two types of Pricing Agreements support the Medical/Surgical Prime Vendor (MSPV) Program
  - DAPAs (Distribution and Pricing Agreements)…
    manufacturer/supplier national or regional government pricing (covers majority of MSPV sales)
  - RIAs (Regional Incentive Agreements)…
    discounted pricing based on committed volume resulting from tri-care regional standardization process

Customer Price = DAPA or RIA Price + PV Distribution Fee + DLA Cost Recovery Rate
Distribution and Pricing Agreements (DAPAs)

- Separately negotiated product prices from manufacturers & suppliers honored by our prime vendors to supply material
- DAPA and RIA prices are loaded into the DAPA Management System (DMS) monthly
- Currently 1,200+ DAPA holders supplying thousands of MSPV items
TRBO Teams work for DSL and include: Logistics, Data & Clinical Analysts.
Tri-Care Regional Standardization Program Opportunities

• Solicitation notices for open RIA competitions are advertised in FedBizOps by the TRBOs

• DSCP MSPV Standardization Team reviews and approves TRBO (Tri-Care Regional Business Office) Team Acquisition Process Plans (APPs) and Best Value Decision Documents (BVDDs)

• These lead to product standardization and Regional Incentive Agreements (RIAs) between the Tri-care regions and our medical/surgical suppliers

• The DSCP MSPV Standardization Team provides assistance to the regions

• The standardization process is complex with literally months of planning, coordination and product & price evaluation

• The standardization program has improved product pricing and saved millions through cost avoidance
Medical Points Of Contact

• If you are interested in establishing a medical/surgical DAPA please visit https://dmmonline.dscp.dla.mil/medsurg/DAPAsMadeEasy.pdf to view our DAPA Guide Book for Med/Surg Prime Vendor

• Apply for access and DAPAs online

• For additional assistance on Med/Surg DAPAs contact
  – Celestine Lennox (215) 737-7124 celestine.lennox@dla.mil
  – Lou Jennings (215) 737-2125 louis.jennings@dla.mil
  – Joe Wasko (215) 737-8398 joseph.wasko@dla.mil

• For additional assistance on Durable Equipment DAPAs contact
  – Nikki Armstrong (215) 737-7232 nikki.armstrong@dla.mil
  – Rebecca Hicks (215) 737-5372 Rebecca.c.hicks@dla.mil

• For additional information on RIAAs contact
  – Bill Woltjen (215) 737-2834 william.woltjen@dla.mil
  – Tara Perrien (215) 737-8307 taraperrien@dla.mil
DAPA Work Aids

DAPAs Made Easy
A Guide to DAPAs and the Medical/Surgical Prime Vendor Program

Directorate of Medical Materiel
Defense Supply Center Philadelphia

Version MSPV 6-11-09
DSCP Medical Website
DMMonline.com
# New User Registration

- **Required Fields:** Starred (*) fields are required, but providing more information will speed up the approval process. DSCC users please supply your LANID (pass or hydro number). After the form is submitted, the appropriate administrator will be notified to grant access to the applications requested. Users will be notified by the administrator when their ID has been updated.

- **Note:** If you already have a user ID and password for single sign on (SSO) enabled applications, please login in and use the existing User Registration Link.

## Basic User Information:

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<tr>
<th>Field</th>
<th>Description</th>
<th>Example</th>
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<tbody>
<tr>
<td>First Name</td>
<td>First name of the user</td>
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<tr>
<td>Last Name</td>
<td>Last name of the user</td>
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</tr>
<tr>
<td>Duty/Position Title</td>
<td>Title of the user's position</td>
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DAPA Application

User Registration

The following information will be sent to the appropriate application owners to determine whether or not you will be granted access to a particular application.

If you don't want to request access to an application, click on the back button and uncheck it.

DAPA Manufacturers Application

Provide the DAPA Holder with the tools to manage medical product and pricing information.

Complete all of the fields listed below to register for the DAPA Manufacturers Application. Identify if you are a new or existing DAPA Holder and select the type of materials you supply. If you are an existing DAPA Holder please list the DAPA numbers you manage in the space provided.

*New / Existing

Select

*DAPA Type

Select

If you are an existing DAPA Holder please list the DAPA Numbers you currently manage.

*Reason for requesting access to the DAPA Manufacturers Application?
Electronic Catalog (ECAT)
Electronic Catalog (ECAT)

- An Internet solution that uses the latest electronic commerce technology for ordering, receiving, management and bill payment of medical devices and supplies
- Covers commodities not covered by pharmaceutical and med/surg prime vendors
- Emulates best commercial business practices
- Web-based ordering
- Interfaces with DoD retail systems… DMLSS and TEWLS
Electronic Catalog (ECAT)
http://www.DMMonline.com
Electronic Catalog (ECAT)
# Product Lines

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<th>Items</th>
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<td>Laboratory</td>
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<td>400K</td>
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<tr>
<td>Optical</td>
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<td>8K</td>
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<tr>
<td>Equipment</td>
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<td>16K</td>
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<tr>
<td>Med/Surg</td>
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<td>50K</td>
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<tr>
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<td>7K</td>
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<tr>
<td>Contingency</td>
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<td>6K</td>
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</table>
ECAT Program Features

• Multiple catalog ordering
  – Online comparison shopping for best value
  – Customer selects product and vendor
    • Price
    • Delivery
    • Past performance
    • Physician’s preference

• Suppliers deliver direct to customer

• Potential 5 year contracts
  – Base year with four 1-year options
ECAT Program Features, Continued

• Additional Features
  – Transmits orders 24/7
  – Vendor acknowledgment
  – DSCP pays vendor within 15 days after receipt or invoice
  – On-line status
  – Direct CONUS delivery
  – Direct OCONUS delivery on most
Customer & Supplier Benefits

- **Customer benefits**
  - Stable pricing for all customers based on usage
  - B2B e-Business operating system Interface
  - Customers pay as they consume product
  - Electronic commerce solution to local manual purchase activity
  - Robust search engines

- **Supplier benefits**
  - One focal point for contract administration
  - Paperless operation = reduced administrative costs
  - Electronic published catalog pricing
  - ECAT is available to all Federal Agencies worldwide (DoD, IHS, NIH etc.)
  - No fee to vendor to use ECAT
ECAT Program Growth
Manufacturer Direct Program

**Vision**

- Provide Manufacturer Direct (MD) product lines through the DSCP Electronic Catalog (ECAT)

**Goal**

- Award contracts directly with manufacturers that do not distribute products through Medical/Surgical prime vendors… provide customers process savings and stable prices
Manufacturer Direct Program

**Initial strategy**

- Partner with industry to develop an e-Commerce solution to manual purchasing activity for manufacturer direct items
  - Customer benefits
    - Stable pricing for all customers based on usage
    - Customers pay as they consume product
  - Supplier benefits
    - Supply Chain management efficiencies
    - First-line visibility with customers
    - Direct payment
    - One contract

**Long-term strategy**

- Use information to gain business intelligence to get a true picture of product demand and areas for growth
Manufacturer Direct Program

• Product Lines
  – Orthopedic implants
    • Knees and hips
  – Clinical laboratory diagnostics
    • Reagents, controls, special tests

• Future products and services
  – Orthopedic implants and other devices
  – Newborn screening services
  – HPV, STD and other diagnostic reagent testing
Manufacturer Direct Program

Concept of Operation

• Direct ordering
  – Orders will flow from customer DMLSS system through ECAT to vendor
  – Vendor confirms orders
  – Vendor ships product “direct vendor delivery”

• Post-post method
  – Customer creates “not-to-exceed” purchase order
  – Upon customer request, vendor ships product “just-in-time”
  – Customer issues delivery order for used product
  – Vendor confirms order
If you are interested in submitting a proposal under the ECAT Program, please contact

- Roy Dillard  (215) 737-2296  roy.dillard@dla.mil
- Eileen Motta  (215) 737-2480  eileen.motta@dla.mil
Medical Readiness Programs
Medical Readiness Contract

• Long term contractual partnership
• Supplier guarantees a certain amount of product coverage to meet DoD’s requirements
• Contract content and guarantees reside in DoD planning tool… “Readiness Management Application”
• Contract product availability is uploaded into the item source selection… Contingency Automation Application (ISS-CAA) (Readiness Sourcing Tool)
• Direct sales to suppliers are generated from the Readiness Electronic Catalog (ECAT)
Types of Medical Readiness Contracts

• Corporate Exigency Contracts (CEC)
  – Designed for manufacturers
  – DoD buys access to manufacturing capabilities for a fee
  – Multiple contract awards for the same line
  – Underwrites portion of manufactures’ production capability

• Vendor Managed Inventory (VMI)
  – Designed for wholesalers
  – Buys access to inventory stocks for a fee
  – Underwrites portion of vendors’ inventory safety level expenses
How Vendors Make Money

- Inventory management fee
- Inventory holding fee
- Sales... potential sales in support of military operations and humanitarian support efforts
Other Benefits to Participating Vendors

- Preferred contingency supplier
- Possible reduction in charge backs as a result of direct sales
- Improved supply chain managing
- Reduce administrative time receiving and processing orders
- Visibility of your contract product line in Services’ planning and ordering applications/systems
Medical Readiness Sales Growth

- FY07: $5,000,000
- FY08: $10,000,000
- FY09: $20,000,000 (Year to date)
- FY10*: $6,500,000

* Year to date
Readiness Points of Contact

If you are interested in participating in one of our readiness programs visit:

• Our WEB SITE for the Solicitations is…
  https://www.dibbs.bsm.dla.mil/RFP/

• Pharmaceutical Vendor Managed Inventory solicitation no…
  SPM2D0-10-R-0001

• Pharmaceutical Corporate Exigency Contract solicitation no…
  SPM2D0-07-R-0005

• Medical Surgical Corporate Exigency Contract solicitation no…
  SPM2D0-07-R-0006

• Then contact Michael Medora at (215)737-2117 or Michael Brywka at (215)737-5775 to arrange for a presentation and tailored Excel spreadsheet
Subcontracting Opportunities

- Contracts with Large Businesses valued at over $550,000 require Small Business Subcontracting Plans
- Opportunities exist for the following categories of businesses:
  - Small business
  - Veteran-Owned
  - Service-Disabled Veteran Owned
  - Small Disadvantage
  - Small Women Owned
  - HUBZone Small Business
- For additional information on subcontracting opportunities contact the DSCP Small Business Office:
  
  Michael McCall  (215) 737-2323  michael.mccall@dla.mil
  Paul Rooney  (215) 737-4648  paul.rooney@dla.mil
Summary
What We Want To Leave You With

• Medical Materiel is big business in DLA with annual sales of ~$4.5B

• There are many opportunities for you to do business with us
  – Prime Vendor via traditional DAPA
  – ECAT and Manufacturer Direct
  – Readiness Programs
  – Subcontracting

• Applications and assistance are available at our Medical website… DMMonline.com

• If you are interested contact us and we’ll assist you
Questions?

USNS Mercy and USS Abraham Lincoln
Indian Ocean