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IN REPLY
REFER TO

MS

December 13, 2001

Memorandum for: Regional Logistics Chiefs
Tri-Service Regional Business Offices

Subject: Policy Guidance-FSS Pricing and Regional Incentive Agreements

On November 13, 2001, DSCP and the Department of Veterans Affairs (VA) National Acquisition Center (NAC) issued a letter to Medical/Surgical DAPA holders regarding revision of the DAPA Management System to reflect inclusion of Federal Supply Schedule (FSS) Pricing affective 1 Jan 2002. DSCP and NAC took this action in accordance with and as required by the Memorandum of Agreement (MOA) signed by the Assistant Secretary of Defense (Health Affairs) and the Secretary of Veterans Affairs. Copies of this MOA are available at your request. It reflects the agreement between the DOD and the VA that the federal government should move to one federal price (i.e. the FSS price). This action is similar to the action taken in the Pharmacy prime vendor program that was effective January 1, 2001.

Attached is guidance for the Tri-Service Regional Business Offices (TRBO's) outlining the affect this will have on Regional Incentive Agreements (RIA's) and what steps the TRBO's may take, in full coordination with their Regional Logistics Chief, to manage RIA's under this new pricing environment. The guidance is as follows:

1. DAPA Agreement numbers (SP0200-99-H-XXXX) will remain unchanged. Vendors are still required to have a DAPA to participate in the Prime Vender (PV) and Standardization program. DAPA's will contain both VA (FSS) negotiated items and non-FSS or DSCP negotiated items.
2. FSS pricing will replace DAPA prices in the DAPA Management System (DMS) as the base uncommitted or national price. If an item is not available under a FSS, the DAPA price remains unchanged.
3. FSS priced items will replace DAPA priced items only if the item under DAPA is the exact same item as available under the FSS. Manufacturer's part numbers, unit of issue, packaging, quantity in the unit of sell, etc. must be the same. If a FSS holder has the same manufacturer's part number under both the FSS and DAPA, but the item is packaged differently, for example, as a 'case of 100' under DAPA and under the FSS as a 'box of 10', then the DAPA item and price will remain unchanged. The DAPA holder

will differentiate the product(s) and will add items to the DAPA system or leave the DAPA unchanged.

4. Only DAPA holders will load (make changes to their DAPA's) FSS price changes and other FSS information to their DAPA on an individual line item bases. DAPA holders, by DSCP/VA letter dated 13 November 2001, are required to review DAPA line items and to 'load' or overlay DAPA prices with FSS prices for the exact same items covered under a FSS contract.

5. DAPA/FSS holders have been advised of the following:

- a) The FSS price loaded in DMS will be inclusive of the VA's 0.5% Industrial Funding Fee (IFF).
- b) Items loaded by the DAPA holder as a FSS contract item at the national base uncommitted level are assumed to be inclusive of the IFF.
- c) RIA or committed prices are not subject to the IFF, regardless of whether the national base price is based on a FSS item or DAPA item.
- d) Items purchased under VA negotiated Blanket Purchase Agreements (BPA) are subject to the IFF.
- e) It will be the responsibility of the DAPA/FSS holder to pay the IFF directly to the VA for all reported FSS sales under the PV program.

6. Impact on RIA prices:

- a) Loaded FSS prices are now the national or base uncommitted 'DAPA' price. As a result, base uncommitted prices may increase or decrease.
- b) Once the DAPA/FSS holder has loaded their FSS pricing in DMS, if the uncommitted FSS price is higher than the loaded RIA or tier/committed price, the RIA or tier price remains unchanged. This is the same as the current procedures; a tier price cannot be higher than the base uncommitted or national price.

7. DSCP Guidance to DAPA/RIA Holders:

- a) DSCP has encouraged DAPA holders not to increase their national base uncommitted price to cover the VA's IFF. In DSCP's 13 November 2001 letter, DAPA/FSS holders were encouraged to leave the loaded price in DMS the same as originally negotiated.
- b) RIA or tier/committed prices are not considered sales under the DAPA/FSS holder's FSS and shall not be increased.
- c) The DMS has been revised to incorporate the required system changes effective 12 November 2001. It is expected that over the next few months, DAPA/FSS holders will take the required action to review and update their DAPA with FSS prices and information. The first inclusion of FSS prices on a vendor's DAPA will be effective 1 January 2002.

8. 'Raw' DAPA/FSS Price:

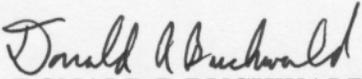
- a) The 'raw' DAPA price for FSS items is assumed to be inclusive of the IFF.
- b) The 'delivered price' or the price paid by the customer and as loaded in the UDR will be calculated based on the 'raw' FSS price (i.e., base uncommitted). PV award fees and DSCP cost recovery rates will be added to the raw FSS price.

9. RIA Price Negotiations: Based on the above, the following guidance is provided to the Tricare Regions:

- a) The 'base line' price from which RIA 'discounts' will be calculated is either the "raw" DAPA price (same as the current procedures) or the price on the VA negotiated FSS, which is always inclusive of the VA's IFF.
- b) The Tricare Regions should request that the DAPA holders separate DAPA priced items from FSS priced items in their RIA Price Proposals for ease of analysis.
- c) The Region should remind the DAPA/FSS holder that the IFF (0.5%) is not to be included in their RIA price proposal unless it is under a VA negotiated BPA.
- d) It is recommended that the hard copy RIA separate FSS base priced items from DAPA (non-FSS) base priced items. Items should be clearly labeled as either DAPA items or FSS items, to include VA contract number.

TRBO's are asked to forward this guidance to all vendors holding RIA's within their respective regions.

If RLC's have policy questions regarding this guidance please initially route them to your sponsoring service level POC's (USA/ Major Sass 210-221-7877, USN/LCDR Spratt 301- 619-3086, USAF/Major Pilloud 301-619-4083) in order to assure proper routing in your respective chain of command. The DSCP POC's for the services are Ms Helen Connor (215) 737-7417 or Major Tom Lerner (215) 737-7224. TRBO's (contracted personnel) and other interested parties may contact DSCP direct at the noted numbers for operational and DAPA administration assistance.


DONALD R. BUCHWALD
Colonel, US Army
Director
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cc: USAMEDCOM, ACSLOG
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