If VA builds warehouse, distribution capabilities for sleep therapy, better patient care will not come

Last February, we wrote here about the Department of Veterans Affairs' flawed plan to "insource" the warehousing and distribution of continuous positive airway pressure (CPAP) devices and related supplies that are used to treat a rapidly-growing number of veterans with respiratory disabilities. While VA's goal to improve veteran healthcare in sleep therapy is laudable, the agency is going about it the wrong way. Getting into the warehouse and distribution business for CPAP devices and supplies simply does not make sense considering veteran-owned small businesses (VOSBs) already provide a "just-in-time," nationwide warehouse and distribution system to VA for these critical products. Instead, we argued, the VA should devote its precious resources to hiring more physicians and clinicians specializing in sleep medicine and more staff at veteran healthcare facilities to treat our veterans.

Over the last year, much has happened but it appears little has changed regarding the VA's insourcing plan. The VA's Denver Logistics Center (DLC), which would handle the insourced warehouse and distribution functions for CPAP devices and related supplies, faced multiple protests in 2019 regarding its acquisition strategy. Initially, the DLC sought to completely cut out VOSBs before relenting in response to legal challenges. Ultimately, the DLC has continued to press forward with its insourcing plan despite the protests.

Over the last few months, the U.S. Government Accountability Office (GAO), the VA's Office of Inspector General (OIG), and a joint VA/DoD working group have recently released comprehensive reports and guidelines focused on improving the VA's acquisition of sleep therapy products to provide better patient outcomes. These extensive reports, developed after lengthy periods of detailed assessments, should give the VA significant pause before proceeding any further with the DLC's insourcing plan.

GAO's report, entitled VA Acquisition Management: Steps Needed to Ensure Healthcare Federal Supply Schedules Remain Useful, focused on the steps the VA needs to take to improve the operation of its Federal Supply Schedule (FSS) healthcare contracts. Among GAO's findings, it noted shortcomings in the VA's staffing and training of its personnel. GAO also determined that the VA had not assessed if using overlapping contract vehicles (FSS and VA's Medical/Surgical Prime Vendor-Next Generation or MSPV-NG) for similar products is necessary or an effective use of the VA's resources. GAO's findings in the January 2020 report followed a March 2019 assessment that VA lacks an effective medical supplies procurement strategy, as part of its determination that VA acquisition management is a "high risk area."

GAO's cross-hairs in this report were trained on the VA's National Acquisition Center (NAC), which oversees the DLC. It is fair to wonder, given all of the improvements GAO found that are needed at the NAC, if the NAC has adequately vetted or could oversee the DLC's insourcing initiative.

The VA OIG report, entitled Opportunities Missed to Contain Spending on Sleep Apnea Devices and Improve Veterans' Outcomes, focused directly on how VA procures CPAP devices and related supplies. The VA OIG concluded that, as the number of sleep apnea patients has increased substantially over the last five years, the VA has missed opportunities to contain spending and improve veteran patient care.

Critically, the VA OIG's report did not find that the lack of internal VA warehouse and distribution capabilities was a cause of the shortcomings in the VA's acquisition of CPAP devices and related supplies. And the VA OIG did not recommend that the VA should insource warehouse and distribution functions currently performed by VOSBs as a means to contain VA's spending or improve patient care. This is not surprising, because insourcing warehousing and distribution clearly does not solve the problems facing VA's sleep therapy program. To the contrary, insourcing warehouse and distribution of CPAP devices and supplies attempts to fix a part of the VA's sleep therapy healthcare system that is not broken. Insourcing takes work away from VOSBs – who have been performing these functions effectively and efficiently for years – while also needlessly adding another duplicative VA contract for sleep therapy products, in addition to the FSS and the upcoming MSPV 2.0.

The worst part about the DLC's insourcing plan is that it distracts from the VA's real need: more healthcare professionals. There is a critical shortage of clinicians and other VA staff to deliver the personalized care and follow-up that veterans need and that are the primary way to improve patient outcomes. This is confirmed in the VA OIG's report, which found that the root cause of the VA's problems in managing sleep therapy products is insufficient staffing. In fact, the VA OIG found that VA had no staffing model for sleep medicine at all.

Clinicians obviously play a vital role in determining the appropriate sleep therapy for patients based on the veteran's sleep study, fitting the prescribed devices, and providing follow-up care. However, as the VA OIG found, these vital roles are being underperformed because of insufficient staff resources. Although there was a 10% increase in VA sleep therapy staff between FY14 and FY18, the VA OIG found that this increase did not keep pace with increases in workloads. Without sufficient VA staff to provide training, education, follow-up, and compliance monitoring of veteran patients, it is no wonder the VA is not achieving the desired patient outcomes. There simply are not enough VA personnel to determine the right care for each veteran patient, or to stay in contact with the patients to best ensure the therapy's success.

The critical need for sleep therapy staff is echoed in the VA/DoD Clinical Practice Guideline for the Management of Chronic Insomnia Disorder and Obstructive Sleep Apnea, released in December 2019. Based on studies showing a significant increase in sleep disorders among the DoD and VA populations, the VA/DoD work group developed the practice guidelines to provide a framework for evaluating, treating, and managing the individual needs of patients with sleep disorders. Chief among the guidelines is what is called "Patient-Centered Care," which is based on the individual needs of each patient. Given the significant increase in sleep therapy patients, the VA clearly needs more clinicians and other staff to provide the individualized care our veterans need and deserve.

After staffing, the VA's next priority should be to better utilize existing technology and look for ways that modernizing technology can deliver better sleep therapy to veterans. The VA OIG noted that the

VA is not making enough use of existing technology in CPAP devices and supplies. Most of these devices come with built-in technology that would allow VA to remotely monitor how often the patients are utilizing their devices. Here, the issue is not the lack of technology, or the lack of resources to upgrade outdated technology. The technology already exists, and it works. But the VA is not routinely taking advantage of the existing technology in these devices because it does not have the manpower to do so.

There are other technology modernization efforts that could further improve patient outcomes in sleep therapy. For example, the VA OIG found that one technology solution holds promise to improve cost control and patient outcomes in sleep therapy. But the promise of this technology is not being realized because it has not been integrated with VA's Computerized Patient Record System. Electronic health record modernization is one of VA's top priorities. Continued emphasis in this area would serve the VA well in achieving its objectives to control cost and improve patient outcomes in sleep therapy.

It makes little sense, then, for the DLC to throw a brick-and-mortar solution at a problem that needs people and technology. The VA OIG certainly did not recommend that insourcing of warehousing and distribution functions would improve the VA's management of sleep therapy products, and wisely so. Quite simply, the current healthcare challenge facing sleep therapy at the VA will not be improved if the VA gets into the business of warehousing and shipping sleep apnea products. This is a perfect example of the VA attempting to solve today's problems with yesterday's solutions.

Siphoning precious resources to build internal warehouse and distribution capabilities is more likely to exacerbate the problems noted in the VA OIG's report. Which begs the question, then why is the DLC embarking on what is clearly a flawed strategy to stockpile a significant volume (upwards of $5 billion) of new sleep therapy products in a centralized VA warehouse, when the VA's own auditors have found that what this growing area of veteran healthcare really needs is more VA clinicians and for the VA to better use and modernize its technology?

A cynic might say that the answer to this question lies in the 7.5% fee that the DLC stands to earn on each sleep therapy product the DLC warehouses and distributes to VA medical centers. But that is the wrong answer when the objectives are controlling costs and improving outcomes for our veteran patients. To "go the distance" in building a better sleep therapy program, the VA needs to invest in people and modern technology, not warehouses and logistics.

Jon Williams is a partner with PilieroMazza PLLC, a law firm in Washington, DC that represents government contractors. PilieroMazza represents contractors that will be negatively affected by the VA's plan to insource the warehousing and distribution of medical devices and supplies as discussed in this article.