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Office of Audits and Evaluations

VETERANS HEALTH ADMINISTRATION

Better Coordination Needed to Negotiate Consistent Prices for Prescription Eyeglasses

Review

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Executive Summary

The VA Office of Inspector General (OIG) conducted this review to assess whether the Veterans Health Administration (VHA) maintains price consistency across vendors and contracts when it purchases prescription eyeglasses for veterans. VHA primarily uses commercial sources that supplement its in-house optical laboratories. Commercial sources provided about 85 percent of all eyeglasses to veterans in fiscal year (FY) 2022.¹ During that time, VHA spent about \$127.9 million and provided eyeglasses to nearly 1.4 million veterans.

What the OIG Found

VHA purchased approximately 82 percent of all eyeglasses from two vendors, referred to as vendor A and vendor B, from October 2021 through September 2022. These vendors have multiple contracts at the Veterans Integrated Service Network (VISN) level to provide eyeglasses; however, the contract prices vary even within a single region from the same vendor.² The review team determined that contract prices and pricing structures for the same or similar eyeglasses differed by contract, making it difficult to determine if VHA is paying consistent prices.³ For example, vendor B's price to VHA for a pair of single-lens eyeglasses made from plastic or polycarbonate in VISN 5 is \$29, but the same eyeglasses by that vendor is priced at \$36 in VISN 6.⁴ According to the VISN 6 contract, shipping costs were to be included in the unit price, but these costs were not included in the VISN 5 unit prices. Nothing in the VISN 6 contract identified the shipping costs, making it difficult to determine if the VISNs were paying otherwise consistent prices for the eyeglasses.

Efficient and effective spending of taxpayer dollars would include not paying more for the same product without explanation. In most instances, contract files did not include evidence to suggest that discussions and comparisons of pricing took place. Instead, the review team only identified one instance in which a contracting officer, when performing a price analysis to determine if the prices offered were fair and reasonable, documented in the contract file that they included pricing from a contract that another VISN awarded. When a vendor's prices for item(s) under one solicited contract are different from that vendor's prices for the same or similar items under another contract, VA may be paying more than it should for the higher-priced product. Price differences could be addressed with better coordination among network contracting officers prior

¹ The use of the term "eyeglasses" in this report refers only to prescription eyeglasses.

² VHA divides the United States into 18 regional networks, known as VISNs, which manage day-to-day functions of medical centers and provide administrative and clinical oversight.

³ The review team refers to "pricing structure" as the pricing make-up for a pair of eyeglasses, which may be based on lens type (e.g., glass, plastic, or polycarbonate), a lump sum that applies to all lens types, or the cost of the eyeglasses and related optician services.

⁴ Both contracts have an award date of April 1, 2022. For more on VISNs and eyeglass spending, see appendix A.

to awarding eyeglass contracts to ensure a vendor's prices for these items are consistent (unless warranted by special circumstances).

VHA has opportunities to use strategic sourcing to standardize pricing for the same or similar eyeglasses from commercial vendors, particularly multiple contracts from the same vendor. Strategic sourcing involves collaboration and structured analyses of spending to obtain goods and services more effectively and efficiently, which helps optimize performance, minimize price, and increase spending value.⁵ For example, VHA uses strategic sourcing for some prosthetic items such as continuous positive airway pressure devices for treating sleep apnea. VHA has not yet implemented similar strategies for the provision of eyeglasses, such as national contracts or a pricing catalog for all contracts with the same or a competing vendor for eyeglasses.

The OIG recognizes that pursuing these strategies can be challenging. Regional Procurement Office officials reported that doing so could be difficult because VISNs and medical facilities have different requirements. One official said efforts to apply a more unified approach could be limited because some facilities need optician services to be included in their eyeglass contract. The director of the Commodity and Services Acquisition Service, however, said that nothing would prevent VISNs from issuing separate contracts for eyeglasses and optician services. Separate contracts would allow VHA to separately identify this requirement, which could help make sure prices paid for the provision of eyeglasses are consistent.

In addition to national contracts or pricing catalogs, better preaward contract coordination among network contracting officers would increase VHA's assurance that it is negotiating and paying consistent prices for the same or similar eyeglasses. The review team calculated that VHA could have saved about \$3.6 million from October 2021 through September 2022 by standardizing pricing.⁶

The executive director of the Prosthetic and Sensory Aids Service (PSAS) reported that PSAS is working to establish a national contract for the provision of eyeglasses through the Community Care Network.⁷ Information provided by a PSAS field operations manager showed that VA anticipates that awarding a Community Care Network contract will result in veterans receiving

⁵ Office of Management and Budget, "Implementing Strategic Sourcing," memorandum to chief acquisition officers, chief financial officers, and chief information officers, May 20, 2005.

⁶ To calculate the potential savings, the review team identified prices for the same or similar items across all VISN contracts with vendor A and created a weighted average rate using the estimated quantities in the contracts. Using the weighted average rate and the estimated contract quantities, the team compared the resulting cost to the contracted prices by VISN and calculated a percent difference, or savings, of about 5 percent. The team then applied the percent difference to the amount VHA paid to vendor A in FY 2022. The team was not able to replicate this methodology for vendor B due to the limited number of contracts and differing pricing structures, which made it difficult to identify pricing for these items. Appendix B provides more information on the OIG's scope and methodology.

⁷ Veterans may be authorized to obtain care from non-VA providers through VA's Community Care Network. According to PSAS officials, this contract would only address instances when a veteran received authorization for care in the community.

on average about 459,000 pairs of eyeglasses annually over a five-year period from local providers.⁸ Even if these contracts are awarded in the future, the OIG calculated that VA may still realize cost savings of at least \$2.9 million annually—taking into consideration the anticipated reductions in purchases from vendors A and B—by using the strategies recommended to achieve price consistency.⁹

What the OIG Recommended

The OIG recommendations include calling for the under secretary for health to coordinate with the PSAS executive director and with officials from VHA’s Procurement and Logistics Office and the VA Office of Acquisition, Logistics, and Construction to develop and implement a sourcing strategy for eyeglasses prescribed by a VA provider, such as national contracts or a pricing catalog across all contracts by vendor. The OIG also recommended the under secretary coordinate with PSAS and VHA’s Office of Procurement to implement a process for contracting officers to coordinate when soliciting and awarding future VISN-level contracts for prescription eyeglasses to help ensure vendors offer VHA the best pricing that is also consistent for the same or similar items whenever possible.

VA Management Comments and OIG Response

The under secretary for health concurred with both recommendations. PSAS will collaborate with VHA’s Procurement and Logistics Office and associated program offices “to review potential options for an eyeglass sourcing strategy.” When a strategy is identified, the responsible parties will develop and implement it across all contracts. Additionally, VA responded that the Procurement and Logistics Office will coordinate with PSAS to develop a process to ensure contracting offices coordinate, to the extent possible, when future eyeglass contracts are awarded.

⁸ According to the field operations manager, the Community Care Integrated Process Team provided this anticipated volume and spending information.

⁹ To calculate the future years’ savings, the review team identified eyeglass spending from October 2022 through May 2023 and annualized this amount to arrive at anticipated eyeglass spending of about \$134.6 million for FY 2023. After accounting for the average annual expected eyeglass spending associated with a future Community Care Network contract of about \$33.4 million, the team calculated the anticipated eyeglass spending associated with vendor A for FY 2023. The review team then applied the 5 percent savings previously identified to the anticipated FY 2023 eyeglass spending associated with vendor A to arrive at the potential savings of \$2.9 million annually. Appendix C shows the monetary benefits associated with the OIG’s analysis.

The under secretary for health's planned corrective actions are responsive to the recommendations. The OIG will monitor VHA's progress on its proposed actions and will close the recommendations when adequate documentation has been provided to demonstrate sufficient progress on implementation and fulfillment of the recommendations' intent. Appendix D includes the full text of the under secretary's comments.



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Abbreviations

FY	fiscal year
OIG	Office of Inspector General
PSAS	Prosthetic and Sensory Aids Service
VHA	Veterans Health Administration
VISN	Veterans Integrated Service Network



Introduction

The Veterans Health Administration (VHA) provides eligible veterans with medically prescribed prosthetic items, including eyeglasses, so they can function at their maximum level and live as independently as possible. Veterans eligible to receive prescription eyeglasses include those who (1) have a compensable military service-connected disability, (2) are former prisoners of war, or (3) were awarded a Purple Heart.¹⁰ VHA spent approximately \$127.9 million to provide eyeglasses to nearly 1.4 million veterans in fiscal year (FY) 2022. Eyeglasses, when compared to items such as hearing aids and respiratory supplies, represented the fifth-largest spend category in FY 2022 for VHA’s Prosthetic and Sensory Aids Service (PSAS). The VA Office of Inspector General (OIG) conducted this review to assess whether VA consistently paid the same price for the same or similar eyeglasses for veterans.

Spending on Prescription Eyeglasses in Recent Years

Spending on eyeglasses increased from FY 2018 to FY 2019 (pre-COVID) but declined in 2020. In FY 2021, spending returned to a pre-COVID-19 pandemic level to about \$125.1 million and increased again to about \$127.9 million in FY 2022, with the number of veterans receiving eyeglasses also increasing slightly to nearly 1.4 million in FY 2022 (see figure 1).

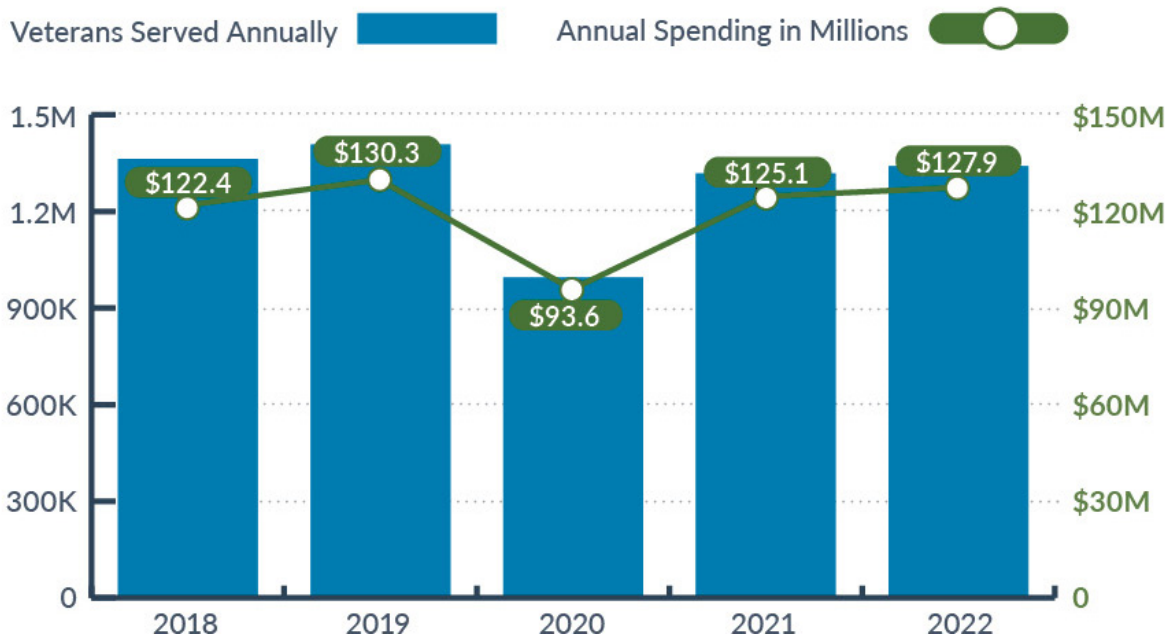


Figure 1. Eyeglass spending and veterans receiving these items from FY 2018 through FY 2022. Source: VA OIG analysis of VA Pyramid Analytics data from FY 2018 through FY 2022.

¹⁰ For additional information on veteran eligibility requirements to receive prescription eyeglasses, see 38 C.F.R. § 17.149 (2004). The use of the term “eyeglasses” in this report refers only to prescription eyeglasses.

Provision of Prescription Eyeglasses

According to a PSAS field operations manager, medical facility PSAS staff are responsible for procuring eyeglasses. Veterans may receive prescriptions for eyeglasses from a non-VA (community care) or VA eye-care provider. When a medical facility's community care office receives a request for eyeglasses from a non-VA provider, it is sent to the medical facility's PSAS; if the medical facility provides the care, the VA provider sends the prescription to their PSAS staff. Prescriptions are then filled through either an in-house optical laboratory or other commercial sources for the fabrication and delivery of prescribed eyeglasses.¹¹ Generally, completed eyeglasses will be sent to the requesting medical facility, where the veteran is fitted with the eyeglasses to have any necessary adjustments made.

According to the PSAS executive director, small businesses historically provided most eyeglasses through contracts with VA at the Veterans Integrated Service Network (VISN) level.¹² For FY 2022, medical facilities paid businesses (commercial sources) about \$111.1 million to furnish over 1.4 million pairs of eyeglasses to veterans at an average cost of \$76.78 per pair. In comparison, in-house VA laboratories spent about \$16.8 million to furnish about 264,000 pairs of eyeglasses at an average cost of \$63.66 per pair.¹³ About 82 percent of all eyeglasses prescribed to veterans were provided by two vendors, referred to in this report as vendor A and vendor B. Both vendors self-certified as "Small Disadvantaged Businesses."¹⁴ Table 1 shows the quantity of eyeglasses provided by all vendors in FY 2022.

¹¹ VA does not have optical laboratories that serve all its medical centers. See appendix A for information on which locations have an optical laboratory.

¹² VHA divides the United States into 18 regional networks, known as VISNs, which work together to better meet healthcare demands and provide greater access to care.

¹³ The average costs VA paid commercial sources and in-house laboratories per pair of eyeglasses and the number of eyeglasses purchased in FY 2022 are rounded numbers. Therefore, multiplying the average cost per pair by number purchased may not equal the commercial and in-house totals provided here. The OIG's numbers used for the rounded calculations are \$111,110,638 for the amount VA paid commercial sources to provide 1,447,054 pairs of eyeglasses. By dividing the amount spent by the number purchased, the average price per commercial pair is \$76.78403. For eyeglasses provided by in-house VA laboratories, VA paid \$16,810,987 for 264,065 pairs of eyeglasses, which yields an average of \$63.66231 per pair. For readability, estimated numbers are used in the body of the report.

¹⁴ 13 C.F.R. § 124 (2023). VA has an office that encourages greater opportunities for small disadvantaged businesses owned and controlled by socially and economically disadvantaged individuals. See also VA Office of Small & Disadvantaged Business Utilization, "Socio-Economic Groups," accessed June 20, 2023, www.va.gov/osdbu/programs/socio_economic_groups.asp.

Table 1. Quantity of Eyeglasses Provided by Vendor in FY 2022

Vendor description	Quantity provided	Percent of all VA eyeglasses provided*
Vendor A	1,036,945	61
Vendor B	367,798	21
VA fabrication laboratories	264,065	15
All other vendors†	42,311	2
Total	1,711,119‡	—

Source: VA OIG analysis of VA Pyramid Analytics data for FY 2022.

* The individual percentages do not total to 100 percent due to rounding.

† This line item includes hundreds of vendors who provided eyeglasses to veterans in FY 2022. Quantities provided by these “other vendors” ranged from 1 to 8,752 during this period.

‡ Some veterans accounted for in figure 1 received more than one pair of eyeglasses.

Commercial Sourcing Responsibilities

VHA’s Procurement and Logistics Office supports VHA in purchasing healthcare products and services. This office works to standardize healthcare supplies, equipment, and services through contracting and by monitoring logistics data. The Procurement and Logistics Office provides these services through its major organizational components, which include the Office of Logistics, the Office of Procurement, and Regional Procurement Offices. The Regional Procurement Offices are divided into three regions—East, Central, and West—and provide “operational execution, oversight, compliance, direction and support of existing procurement organizations within their geographic region.”¹⁵ Each of these three Regional Procurement Offices is headed by a director. These offices are then subdivided into Network Contracting Offices that provide local, regional, and national procurement support. Each VISN has a Network Contracting Office. Contracting officers within each Network Contracting Office are responsible for soliciting and awarding contracts when a contracting action is expected to exceed the micropurchase threshold of \$10,000.¹⁶ This includes contracts awarded to commercial sources for the provision of eyeglasses to veterans. Eighteen contracting officers were involved in awarding contracts to vendor A and vendor B during the review period from October 2021 to September 2022. These contracting officers report to the directors of their respective Regional Procurement Offices. Figure 2 details the organizational structure of VHA’s Procurement and Logistics Office.

¹⁵ VHA Procurement and Logistics Office (web page), “Regional Procurement Office (RPO)” section, accessed June 14, 2023, <https://vaww.va.gov/plo/about/dcpo.asp>.

¹⁶ Per 48 C.F.R. § 2.101 (2023), a micropurchase is an acquisition of items or services using simplified procedures, the aggregate amount of which does not exceed the established threshold, which was \$10,000 in FY 2023.

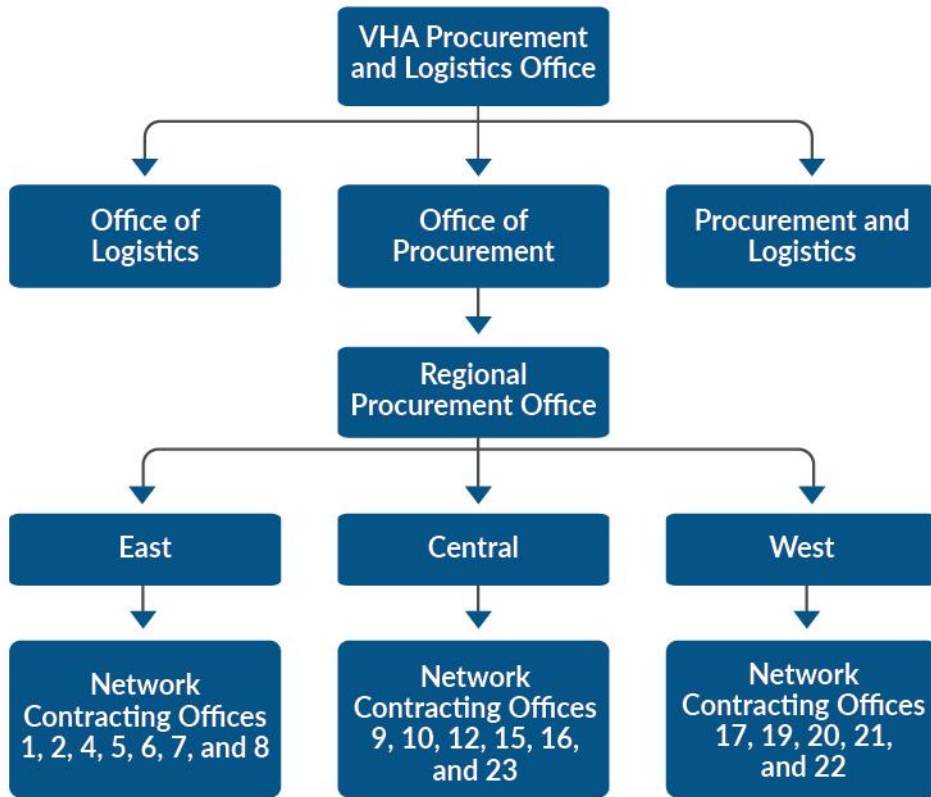


Figure 2. VHA’s Procurement and Logistics Office organizational structure.
 Source: OIG analysis of Procurement and Logistics Office organizational chart,
<https://www.va.gov/plo/> and <https://www.va.gov/plo/about/saos.asp>.

Strategic-Sourcing Responsibilities

In May 2005, the Office of Management and Budget issued a memorandum instructing agencies to leverage spending to the maximum extent possible through strategic sourcing, which is a collaborative, structured process of analyzing spending and using the information to make business decisions to acquire goods and services more effectively and efficiently. This process helps optimize performance, minimize price, and increase the value of each dollar spent. This memo also required agencies to develop and implement strategic-sourcing efforts.¹⁷

At the time of the review, the PSAS executive director was responsible for collaborating with VHA’s Procurement and Logistics Office and the VA Office of Acquisition and Logistics for

¹⁷ Office of Management and Budget, “Implementing Strategic Sourcing,” memorandum to chief acquisition officers, chief financial officers, and chief information officers, May 20, 2005.

national strategic-sourcing initiatives regarding prosthetic devices and sensory aids.¹⁸

VA's Office of Acquisition, Logistics, and Construction provides support for enterprise-level strategic-sourcing requirements. These requirements are managed through various suboffices.

¹⁸ VHA Directive 1081, *Procurement Process for Individual Prosthetic Appliances and Sensory Aids Devices above the Micro-Purchase Threshold*, March 25, 2014. The acting assistant under secretary for health for support rescinded this directive on January 9, 2023. This directive, however, was still in effect during the scope of this review and does not affect the finding or recommendations in this report.

Results and Recommendations

Finding: PSAS and VHA Procurement Have Opportunities to Achieve Greater Price Consistency and Potentially Reduce Spending on Prescription Eyeglasses for Veterans

VA medical facilities purchased eyeglasses primarily from vendors A and B from October 2021 through September 2022 (FY 2022). Despite both vendors having VISN-level contracts, the prices and pricing structure for the same or similar items differed by agreement, making it difficult to determine if VHA is paying consistent prices for eyeglasses.¹⁹ For example, vendor B's price for a pair of single-lens eyeglasses made from plastic or polycarbonate in VISN 5 is \$29 compared to \$36 for the same eyeglasses it provides in VISN 6.²⁰ The difference in price may be attributable to shipping costs: The VISN 6 contract states shipping should be included in the unit price for eyeglasses, whereas this cost was not included in the VISN 5 unit prices. However, there was nothing in the VISN 6 contract to identify the shipping cost, making it difficult to determine if these VISNs are paying consistent prices for the material used to make a pair of eyeglasses. The team generally found no documentation in the contract files that would justify contract price differences or the use of different pricing structures for the same or similar items from the same vendor. Efficient and effective spending of taxpayer dollars is dependent on VA ensuring they are not paying more for the same product.

VHA has implemented strategies to maximize savings through national contracts for some prosthetic items, such as biologic and nonbiologic implants and continuous positive airway pressure devices. However, it has not pursued similar strategies for the provision of eyeglasses from commercial sources like vendor A and vendor B. Contracting officers could address these price differences by better collaborating across networks and regions.

VHA has an opportunity to enhance price consistency and reduce spending by implementing strategies, such as national contracts or a pricing catalog across all contracts with the same or a competing vendor for eyeglasses. Further, VHA can standardize pricing by ensuring contracting officers from different Network Contracting Offices and regions collaborate prior to awarding contracts to help ensure eyeglass pricing is consistent for the same or similar items by the same

¹⁹ The review team defined "pricing structure" as the make-up of the price for a pair of eyeglasses, based on lens type (e.g., glass, plastic, or polycarbonate), a lump sum for all lens types, or the cost of eyeglasses and related optician services.

²⁰ The VISN 5 and VISN 6 contracts both have an award date of April 1, 2022.

vendor across multiple VISNs. The review team calculated that standardizing pricing could have saved VHA about \$3.6 million for FY 2022.²¹

The PSAS executive director said PSAS is working to establish a national contract for eyeglasses provided to veterans through the Community Care Network.²² The implementation of this contract may reduce the volume of eyeglasses provided by commercial sources (such as vendors A and B), with more prescriptions filled in the community by local providers or vendors. Even factoring in this reduction in commercial sales to vendors A and B, the review team determined that standardizing pricing for eyeglasses provided by these sources could result in savings of at least \$2.9 million at the current contract prices.²³

This finding is based on the following determinations:

- Eyeglass pricing for the same or similar items from the same vendor varies by VISN and medical facility.
- Opportunities exist to ensure greater price consistency through strategic-sourcing strategies.
- Increased collaboration between network contracting officers and VISNs could improve pricing consistency for the same or similar items from the same vendor.

What the OIG Did

Using the National Prosthetics Patient Database and data from VA Pyramid Analytics, the review team analyzed VHA's spending data on eyeglasses from October 2021 to September

²¹ To calculate the value of funds VHA could have saved for FY 2022, the review team identified prices for the same or similar items across all VISN contracts with vendor A and created a weighted average rate using the estimated quantities in the contracts. Using the weighted average rate and the estimated contract quantities, the team compared the resulting cost to the contracted prices by VISN and calculated a percent difference, or savings, of about 5 percent. The team then applied the percent difference to the amount VHA paid to vendor A in FY 2022. The team was not able to replicate this methodology for vendor B due to the limited number of contracts and differing pricing structures, which made it difficult to identify pricing for these items.

²² Veterans may be authorized to obtain care from non-VA providers through VA's Community Care Network. According to PSAS officials, this contract would only address instances when a veteran received authorization for care in the community.

²³ To calculate the savings for future years, the review team identified eyeglass spending from October 2022 through May 2023 (the most recent available data at the time of the team's analysis) and annualized this amount to arrive at anticipated eyeglass spending for FY 2023. After accounting for the average annual expected eyeglass spending associated with a future Community Care Network contract, the team calculated the anticipated eyeglass spending associated with vendor A for FY 2023. The review team then applied the 5 percent savings previously identified to the anticipated FY 2023 eyeglass spending associated with vendor A to arrive at the potential savings. Appendix B provides additional details on the scope and methodology. Appendix C provides additional details on estimated monetary benefits of implementing OIG recommendations.

2022 to identify the extent to which eyeglasses are provided by commercial sources.²⁴ The team determined that two vendors, vendor A and vendor B, provided almost all eyeglasses (about 82 percent) to veterans during this time and accounted for most of VHA's \$127.9 million spending for both in-house and commercial services. The team obtained contracts awarded to these two vendors to determine if the contract pricing for eyeglasses was consistent across all VISNs and their medical facilities. However, the scope of this review did not include an assessment of the preaward process or the decisions that went into awarding a contract to a particular vendor.

The review team conducted interviews with the PSAS executive director; the former acting executive director of procurement in VHA's Procurement and Logistics Office; executive directors from the Regional Procurement Office's East, Central, and West regions; the director of the Commodities and Services Acquisition Service (which falls under the National Acquisition Center); and a supervisory contract specialist from the Strategic Acquisition Center. Given other ongoing work by the OIG, there were no opportunities to interview contracting officers.

Eyeglass Pricing for Same or Similar Items from the Same Vendor Varies by VISN and Medical Facility

The review team found that pricing for the same or similar eyeglasses included in some of the VISN-level contracts with vendor A and vendor B varied by VISN and even among medical facilities within that region. As a result, VHA pays different prices through the same vendor for like items, such as a pair of single-vision eyeglasses with the same lens type—glass, plastic, or polycarbonate. For example, for single-vision plastic-lens eyeglasses, vendor A has three separate contracts with VISN 21 to collectively provide eyeglasses to six of its healthcare systems. These three contracts were awarded within one year (two were about a month apart). As noted in table 2, one of these three contracts provides pricing for four healthcare systems: Central California, Northern California, San Francisco, and Sierra Nevada. Yet the prices differ within this one contract: the Central California system, located in Fresno, pays \$9 for a pair of these eyeglasses compared to \$20 for a pair of the same eyeglasses when purchased by the Northern California system in Mather and Martinez. Glasses provided by the vendor to these healthcare systems are manufactured at the same facility. The team did not find any justification for the price difference in the contract file. Table 2 shows the quantities and prices for single-vision plastic-lens eyeglasses in VISN 21 according to the three contracts with vendor A.

²⁴ The National Prosthetics Patient Database captures data on veterans, their eligibility for receiving prosthetics (including eyeglasses), and the type of prosthetic treatment received at a facility. The database also captures facility information on prosthetic costs, vendor sources, and purchasing agents. VA Pyramid Analytics is a web-based application used for reporting on data from various VA sources, including the National Prosthetics Patient Database. See appendix B for additional details.

Table 2. Quantities and Prices for Single-Vision Plastic-Lens Eyeglasses in VISN 21

VA healthcare system	Location	Quantity of eyeglasses	Unit price	Contract group*
San Francisco Health Care System	San Francisco, California	4,728	\$10	3
Palo Alto Health Care System	Palo Alto, California	4,044	\$37	2
Pacific Islands Health Care System	Honolulu, Hawaii	3,628	\$31	1
Northern California Health Care System	Mather and Martinez, California	3,100	\$20	3
Central California Health Care System	Fresno, California	1,786	\$9	3
Sierra Nevada Health Care System	Reno, Nevada	816	\$20	3

Source: VA OIG analysis of vendor A contracts with VISN 21.

* VISN 21 awarded three contracts: (1) the VA Pacific Islands Health Care System (January 1, 2021); (2) the VA Palo Alto Health Care System (November 1, 2021); and (3) the Central California, Northern California, San Francisco, and Sierra Nevada Health Care Systems (September 30, 2021).

When comparing the price for a pair of single-vision plastic-lens eyeglasses under the applicable contracts for the San Francisco system and the Palo Alto system, Palo Alto paid \$27 more, even though the medical facilities are less than 40 miles apart and are both in VISN 21. While VISN 21 awarded these two contracts to vendor A about a month apart using the same manufacturing location, each contract included different pricing terms for the same product. The contracts did not provide any details regarding the costs of shipping, discounts, or other factors that would account for the discrepancy.

Pricing Structures Differ for the Same or Similar Items among VISN Contracts

The review team defined “pricing structure” as the make-up of the price for a pair of eyeglasses. The review team found the pricing structure in some contracts awarded to vendor A and vendor B provided a price for a pair of eyeglasses by lens type (for example, glass, plastic, or polycarbonate), while other contracts from these same vendors provide one price for a pair of eyeglasses, regardless of lens type. For example, according to the terms of vendor A’s contract with VISN 16, the price for a pair of single-vision eyeglasses, regardless of the lens type, is \$23.50 (but also includes the frame and case); by comparison, VISN 19’s contract with vendor A includes prices that range from \$1 to \$36 (including the frame and case) based on the lens material used for a pair of single-vision eyeglasses. The VISN 19 contract provides seven different pricing structures for the facilities within that region, which makes it difficult to compare pricing across VISNs and determine what type of structure would be more favorable for VHA.

The review team also found the pricing structures in other contracts awarded to vendor A and vendor B include pricing for optician services; however, the price associated with these services was not always clear.²⁵ Pricing for optician services in some contracts is listed as a separate line item as either an hourly rate or an annual amount, whereas other contracts include optician services in the price of a pair of eyeglasses. Including these services in the price, however, makes it difficult to determine if the cost for the material used to make a pair of eyeglasses is consistent across VISNs.

Example 1

Vendor B's contract with VISN 7 includes pricing of \$50 for a pair of single-vision polycarbonate lenses, including optician services. However, in vendor B's contract with VISN 2, where optician services are not included, the price for a pair of single-vision polycarbonate lenses is \$34. The VISN 7 contract does not mention how much the optician services cost, so it is not possible to determine the true cost of the lenses or whether VISN 2 is paying a price similar to what VISN 7 is paying for the same pair of eyeglasses.

The team reviewed the contract documents but found nothing that would require or preclude the use of different pricing structures. A Regional Procurement Office official said discussions take place between regional contracting officers and VISN prosthetic representatives to determine the requirements of the contract, which is based on the needs of the medical facility. As such, the team concluded that VISN preference influences each contract's pricing structure. While the OIG is not commenting on the appropriateness of the different pricing structures used in the VISN contracts, using different pricing structures makes it difficult for VHA to compare prices across multiple contracts.

Opportunities Exist to Ensure Greater Price Consistency through Strategic-Sourcing Strategies

VHA has opportunities to use strategic sourcing to ensure consistent pricing for the same or similar eyeglasses from commercial vendors, particularly when there are multiple contracts from the same vendor. At the time of this review, the PSAS executive director was responsible for identifying opportunities for strategic-sourcing initiatives for prosthetic devices and sensory aids.²⁶ The director reported having ongoing discussions with officials at the national contracting level (with officials from VA's National Acquisition Center, the Strategic Acquisition Center,

²⁵ Optician services are not required in every eyeglass contract. Some medical facilities provide these services through their own optician personnel. When a facility does not have personnel to provide these services, the contract will include requirements that the vendor provide optician services to the facility.

²⁶ VHA Directive 1081. This directive was rescinded on January 9, 2023; however, it was still in effect during the scope of this review.

and the Denver Logistics Center) to identify high-volume and high-cost items to pursue contracts for national standardization.²⁷ The executive director reported that VHA has implemented strategic-sourcing strategies for prosthetic items that include national contracts for biologic and nonbiologic implants, as well as continuous positive airway pressure devices, which are used to treat symptoms of sleep apnea. The director added VHA is currently considering a similar procurement strategy for wheelchairs but also reported they have not implemented a national contract or other strategic-sourcing strategies for the provision of eyeglasses from commercial sources like vendor A and vendor B.

Procurement Officials Reported That Identifying Strategic-Sourcing Opportunities for Eyeglasses Could Be Difficult

The OIG recognizes that there can be challenges in pursuing these strategies. Regional Procurement Office officials said doing so may be difficult due to the different requirements from the VISNs and medical facilities. One official explained that the need for optician services could limit their ability to apply a more unified approach to their efforts to award contracts for eyeglasses. According to this official, some facilities do not have the capacity to provide optician services in-house and need this service to be included in their eyeglasses contract. However, the director of the Commodities and Services Acquisition Service said that nothing would prevent VISNs from issuing separate contracts: one for eyeglass requirements and one for optician services. Issuing separate contracts would allow VHA to separately identify optician requirements, which could help ensure price consistency for the provision of the actual eyeglasses.²⁸

The former acting executive director of procurement in VHA's Procurement and Logistics Office reported that VHA does not have a national contract for eyeglasses, though it has made strides in reducing the number of contracts associated with eyeglasses. According to the director, medical facilities once had individual contracts with commercial eyeglass vendors, resulting in around 100 contracts, but VHA moved to reduce the number of individual contracts by implementing VISN-level contracts. While the OIG recognizes the implementation of VISN-level contracts reduced the overall number of contracts awarded to commercial sources, VHA still has opportunities to achieve further efficiencies by implementing strategies to standardize eyeglass pricing for the same or similar items from the same vendor. In the case of VHA's national contracts for continuous positive airway pressure devices, VHA awarded national contracts so that any one of six vendors can provide these devices to medical facilities. However, as part of

²⁷ Eyeglasses are a high-volume commodity (top 8 in quantity provided in FY 2022) and account for significant spending (top 5 in total spending for all prosthetic items in FY 2022). This exceeds costs for continuous positive airway pressure devices that do have a national contract.

²⁸ Among the considerations, a national contract and/or a pricing catalog could reduce the variation in contracts and administrative burdens.

these contracts, pricing is the same, thereby creating price consistency across all medical facilities regardless of who provides the devices.

VHA Is Working to Create a National Contract for Eyeglasses When Community Care Is Authorized

The PSAS executive director told the OIG review team that PSAS is currently working to establish a national contract for provision of those eyeglasses provided through the Community Care Network. A PSAS field operations manager reported that the decision to create such a national contract was intended to reduce facility PSAS staff workload and enhance veterans' access to community care. The field operations manager said that, currently, if a veteran is authorized community care and receives a prescription for eyeglasses, the veteran must go to a VA medical facility to pick up their eyeglasses and receive any needed fittings and adjustments, instead of the community location where the veteran received care. The field operations manager said this creates unnecessary work for facility PSAS staff, which results in potential delays for veterans to receive their eyeglasses and may undercut the reason a veteran received their care in the community (for example, distance from residence to the VA medical facility). The executive director reported that once PSAS establishes a national contract for community care, it may provide them with insights into how they can use strategic sourcing for the VISN-level contracts for eyeglasses.

Implementing a national contract like that used for continuous positive airway pressure devices or by creating a pricing catalog across all contracts with the same vendor would allow VHA to better leverage its buying power to help ensure price consistency for the same or similar items. The review team determined VHA could achieve potential savings of at least 5 percent if it obtained consistent pricing for these items from vendor A. The team found this could have resulted in estimated savings of about \$3.6 million from October 2021 through September 2022.²⁹ The team was not able to identify potential savings associated with vendor B due to the limited number of contracts and differing pricing structures, which made it difficult to identify and compare pricing for these items.

The review team concluded that implementing a national contract for community care will likely reduce the volume of eyeglasses provided by vendor A and vendor B in future years. This is because veterans will no longer be required to come back to VA to get their eyeglasses, which are mostly provided by vendor A and vendor B. Instead, veterans will be able to get their eyeglasses from the local provider where they were authorized to receive community care. Based on information provided by a PSAS field operations manager, the review team determined that annually, over a five-year period, VA anticipates spending on average about \$33.4 million to

²⁹ Appendix C provides additional detail on the calculation of monetary benefits associated with VA's implementation of the OIG recommendations.

provide about 459,000 pairs of eyeglasses to veterans through the Community Care Network.³⁰ After considering the potential impact of the Community Care Network contract in reducing the volume of eyeglasses provided by VA laboratories and other vendors like vendors A and B, the review team determined that VHA could still save at least \$2.9 million annually on these acquisitions if it takes steps to standardize pricing.³¹

Increased Collaboration between Network Contracting Officers and VISNs Could Improve Pricing Consistency for the Same or Similar Items from the Same Vendor

Network contracting officers are responsible for soliciting and awarding contracts that exceed the micropurchase threshold of \$10,000, which include the VISN-level contracts for purchasing eyeglasses. While there is no requirement for network contracting officers to collaborate with counterparts or compare pricing from eyeglass procurements in other regions or VISNs, collaborating and comparing prices during the solicitation and preaward process for eyeglass procurements will help ensure prices for the same or similar items are consistent for the same vendor.

The former acting executive director of procurement in VHA's Procurement and Logistics Office, said he "would expect" contracting officers to collaborate with each other on eyeglass pricing for vendor A and vendor B during the procurement process. An executive director from one Regional Procurement Office said some contracting officers within their region do collaborate with each other. However, the review team did not see evidence in most of the contracting files where discussions and comparisons of pricing were documented. In one instance, however, a contracting officer included a document in the contract file showing that pricing from a contract awarded to another VISN was considered when the officer performed a price analysis to determine if the prices were fair and reasonable.

Efficient and effective spending of taxpayer dollars would include VA not paying more for the same product without explanation. Because VHA awards multiple VISN-level contracts to the same vendor for eyeglasses, increased collaboration and communication among contracting officers within and outside their respective networks before awarding eyeglass contracts would help ensure VA does not needlessly pay higher prices for the same or similar items.

Conclusion

The OIG acknowledges certain factors may explain some of the pricing differences, such as when contracts are awarded at different times or their periods of performance vary—for

³⁰ According to the field operations manager, the Community Care Integrated Process Team provided this anticipated volume and spending information.

³¹ These calculations can also be found in appendix C.

example, a bridge contract that would have a shorter period of performance. Nevertheless, given the volume of eyeglasses provided to veterans, these differences in prices should not be left unaddressed, and VHA has an opportunity to take action to standardize pricing and achieve cost savings by considering the feasibility of strategic-sourcing options, including national contracts or establishing a contract pricing catalog by vendor for eyeglasses. Such strategies would allow VHA to obtain more consistent pricing. The OIG calculated that VHA could have saved about \$3.6 million from October 2021 through September 2022 had it paid the same price (an overall lower price) offered by the same vendor for the same or similar eyeglasses. Even if the Community Care Network awards a contract for eyeglasses as planned, the OIG has estimated (using current contract prices) annual cost savings of at least \$2.9 million for the eyeglasses prescribed to veterans by VHA providers.

Recommendations 1–2

The OIG recommended the under secretary for health conduct the following actions:

1. Coordinate with the executive director of the Prosthetic and Sensory Aids Service and officials from the Veterans Health Administration’s Procurement and Logistics Office and the VA Office of Acquisition, Logistics, and Construction to develop and implement a sourcing strategy, such as national contracts or a pricing catalog across all contracts by vendor for eyeglasses prescribed by a VA provider.
2. Coordinate with the executive directors of the Prosthetic and Sensory Aids Service and the Veterans Health Administration’s Office of Procurement to implement a process to ensure contracting officers coordinate before awarding any Veterans Integrated Service Network–level contracts for eyeglasses to make sure these vendors offer the Veterans Health Administration the best pricing that is also consistent for the same or similar items to the extent possible.

VA Management Comments

The under secretary for health concurred with the recommendations. To address recommendation 1, PSAS will collaborate with the Procurement and Logistics Office and associated program offices to review potential options for an eyeglass sourcing strategy. Once a strategy is identified, the responsible parties will develop and implement it across all contracts. The target completion date is May 2024.

In response to recommendation 2, the Procurement and Logistics Office, in coordination with PSAS, will develop a process (targeted for completion in July 2024) to make sure contracting offices coordinate as much as possible when awarding future eyeglass contracts.

OIG Response

The under secretary for health's planned corrective actions are responsive to the recommendations. The OIG will monitor VHA's progress on these actions and will close the recommendations when adequate documentation has been provided to demonstrate sufficient progress on implementation and the fulfillment of the recommendations' intent. Appendix D includes the full text of the under secretary's comments.

Appendix A: Additional Information

Table A.1 provides a breakdown by Veterans Integrated Service Network (VISN) of the volume of eyeglasses vendor A and vendor B provided during fiscal year (FY) 2022.

Table A.1. Quantity of Eyeglasses Provided by Vendors A and B to VISNs

VISN	Total provided by all vendors	Vendor A		Vendor B	
		Provided	Percent of VISN total*	Provided	Percent of VISN total*
1	110,165	106,687	97	—	—
2	85,122	69,289	81	15,735	18
4	71,659	71,127	99	—	—
5	51,572	44,410	86	6,705	13
6	110,535	—	—	109,977	99
7	125,829	—	—	125,052	99
8	170,376	169,373	99	—	—
9	66,146	66,054	99.9	—	—
10	142,080	—	—	—	—
12	68,391	—	—	—	—
15	61,356	59,696	97	—	—
16	122,294	121,908	99.7	—	—
17	90,586	89,528	99	—	—
19	70,030	64,728	92	—	—
20	71,075	26	0	—	—
21	86,505	81,220	94	—	—
22	113,797	—	—	110,329	97
23	93,601	92,899	99	—	—
Total	1,711,119	1,036,945	61	367,798	21

Source: VA OIG analysis of VA Pyramid Analytics data for FY 2022.

* Percentages have been rounded to the nearest whole number except those approaching 100, which were rounded to the nearest tenth.

These VISNs have in-house optical fabrication laboratories.

Appendix B: Scope and Methodology

Scope

The review team conducted its work from August 2022 through July 2023. The scope of the review included an analysis of contract prices related to the Veterans Health Administration's (VHA) purchase of eyeglasses for veterans from high-volume vendors from October 2021 through September 2022.

Methodology

The review team examined relevant VHA policies, procedures, and directives, and guidance from other federal agencies. Applicable criteria included the following:

- VHA Directive 1081, *Procurement Process for Individual Prosthetic Appliances and Sensory Aid Devices Above the Micro-purchase Threshold*, March 25, 2014. This directive was rescinded on January 9, 2023, but was still in effect during the scope of this review.
- Office of Management and Budget memorandum, *Implementing Strategic Sourcing*, May 20, 2005.

The review team interviewed officials from VHA's Prosthetic and Sensory Aids Service, VHA's Procurement and Logistics Office, and VA's Office of Acquisition and Logistics to gain an understanding of their respective offices' processes for identifying prosthetic items as potential candidates for national contracts, as part of strategic-sourcing initiatives during procurement.

The review team used data from the National Prosthetics Patient Database and VA Pyramid Analytics to identify eyeglass spending from October 2021 through September 2022. The team analyzed this data to identify high-volume eyeglass vendors. To identify contracts awarded to high-volume vendors, the team used data from VA's Electronic Contract Management System and USASpending.gov.³²

Data Collection Instrument

The review team developed a matrix that includes contract prices for eyeglasses from VHA's high-volume vendors. The team selected vendor contracts that had periods of performance that were active within the scope of review. The team obtained the vendor contracts from VA's Electronic Contract Management System and reviewed contract price schedules to identify

³² USASpending.gov is the official source for spending data for the US government. This site links data from government systems, including agency financial systems and government-wide award systems, to publish information on agency spending.

product descriptions and price information, which the team used to create the matrix. The matrix provided an overview of eyeglass pricing across VISNs for the review team to assess whether VA was paying more for the same or similar eyeglasses for veterans, particularly from the same vendor.

Fraud Assessment

The review team assessed the risk that fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, significant within the context of the review objectives, could occur during this review. The team exercised due diligence in staying alert to any fraud indicators, including comparing VISN contract pricing to determine if there were any significant outliers. The VA Office of Inspector General (OIG) did not identify any instances of fraud or potential fraud during this review.

Data Reliability

The review team used computer-processed data from the National Prosthetics Patient Database and VA Pyramid Analytics to identify high-volume eyeglass vendors. To assess the reliability of that database's data, the team compared a sample of transactions to supporting source documentation, such as purchase orders and invoices. The team concluded the National Prosthetics Patient Database data were appropriate for this review.

VA Pyramid Analytics is a web-based application used for reporting on data from various VA data sources. The team used this tool to obtain eyeglass spending reports that pulled data from the National Prosthetics Patient Database. To assess the reliability of the data in the VA Pyramid Analytics reports, the team traced some of the sampled transactions taken from the database to data in the Pyramid reports. The team confirmed the data in Pyramid reports included these transactions. The team concluded the data from VA Pyramid Analytics was appropriate for this review.

Government Standards

The OIG conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

Appendix C: Monetary Benefits in Accordance with Inspector General Act Amendments

Recommendations	Explanation of Benefits	Better Use of Funds	Questioned Costs
1 and 2	Value of funds VHA could have saved from October 2021 through September 2022 if it had implemented strategies to standardize eyeglass prices.	\$3,600,000*	
1 and 2	Estimated value of annual savings from strategies to standardize pricing, taking into consideration the impact of future Community Care Network contracts on VHA eyeglass contracts.	\$2,900,000†	
	Total	\$6,500,000	

** To calculate the potential impact from October 2021 through September 2022, the OIG identified prices for the same or similar items across all VISN contracts with vendor A and created a weighted average rate using the estimated quantities in the contracts. The team used a weighted average rate and an estimate of contract quantities to calculate an average cost for eyeglasses and then compared this cost to the cost of eyeglasses based on the contracted prices by VISN and calculated a percent difference. The team then applied the percent difference to the amount VHA paid to vendor A in FY 2022. The team was not able to replicate this estimation for vendor B due to the limited number of contracts and differing pricing structures, which made it difficult to identify pricing for these items.*

† To calculate the estimated potential annual savings, the review team identified eyeglass spending from October 2022 through May 2023 and annualized this amount to arrive at anticipated eyeglass spending of about \$134.6 million for FY 2023. After accounting for the average annual expected eyeglass spending associated with a future Community Care Network contract of about \$33.4 million, the team calculated the reduced anticipated eyeglass spending associated with vendor A for FY 2023 (as more eyeglasses are purchased from local providers or vendors). The review team then applied the 5 percent savings previously identified to the anticipated FY 2023 eyeglass spending associated with vendor A to arrive at the estimated potential annual savings of \$2.9 million.

Appendix D: VA Management Comments, Under Secretary for Health

Department of Veterans Affairs Memorandum

Date: September 5, 2023

From: Under Secretary for Health (10)

Subj: Office of Inspector General (OIG) Draft Report: Better Coordination Needed to Negotiate Consistent Prices for Prescription Eyeglasses (2021-02984-AE-0139) (VIEWS 10716753)

To: Assistant Inspector General for Audits and Evaluations (52)

1. Thank you for the opportunity to review and comment on the OIG draft report, Better Coordination Needed to Negotiate Consistent Prices for Prescription Eyeglasses. The Veterans Health Administration concurs with the recommendation and provides an action plan in the attachment.

The OIG removed point of contact information prior to publication.

(original signed by)

Shereef Elnahal, M.D., MBA

Attachment

Attachment

Veterans Health Administration (VHA)

Action Plan in Response to the Veterans Affairs Office of Inspector General's Draft Report: Better Coordination Needed to Negotiate Consistent Prices for Prescription Eyeglasses (2021-02984-AE-0139)

Recommendation 1: Coordinate with the executive director of the Prosthetic and Sensory Aids Service and officials from the Veterans Health Administration's Procurement and Logistics Office and the VA Office of Acquisition, Logistics, and Construction to develop and implement a sourcing strategy, such as national contracts or a pricing catalog across all contracts by vendor for eyeglasses prescribed by a VA provider.

VHA Response: Concur. The Office of Prosthetic and Sensory Aids Service (PSAS) in coordination with VHA's Procurement and Logistics Office (PLO) and associated program offices, will collaborate to review potential options for an eyeglass sourcing strategy. Once a strategy is decided upon, responsible parties assigned will develop and implement the strategy across all contracts with the support of PSAS.

Status: In Progress

Target Completion Date: May 2024

Recommendation 2: Coordinate with the executive directors of the Prosthetic and Sensory Aids Service and the Veterans Health Administration's Office of Procurement to implement a process to ensure contracting officers coordinate before awarding any Veterans Integrated Services Network-level contracts for eyeglasses to make sure these vendors offer the Veterans Health Administration the best pricing that is also consistent for the same or similar items to the extent possible.

VHA Response: Concur. VHA's PLO, in coordination with PSAS, will develop a process to ensure coordination between contracting offices when awarding future eyeglass contracts to the extent possible.

Status: In Progress

Target Completion Date: July 2024

For accessibility, the original format of this appendix has been modified to comply with Section 508 of the Rehabilitation Act of 1973, as amended.

OIG Contact and Staff Acknowledgments

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