



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS AIR FORCE MEDICAL SUPPORT AGENCY

22 Nov 99

MEMORANDUM FOR SEE DISTRIBUTION

FROM: HQ AFMSA/SGSL

SUBJECT: Minimizing the Impact of DSCP Cost Recovery Factor (CRF) Increases

1. DSCP's FY00 increased cost recovery rates (surcharges) pose a potential \$20M impact on the Air Force Medical Service. Medical Logisticians must be proactive in minimizing the actual cost to the AFMS. Our focus on "lowest delivered cost" must now include a serious look at appropriate sources of supply.

a. Prime Vendor (PV). As you can see in the attachment, the PV CRF increased from 1.0 to 1.3% in CONUS and from 11.7% to 19.9% overseas. For CONUS, this represents a return to the rate charged in FY98. These are requirements contracts, so we cannot arbitrarily change sources. Anticipated decreases in distribution fees should more than offset the CONUS increase. Although the OCONUS Prime Vendor rate increase was substantially higher, the PV program continues to yield the lowest delivered price when you consider overhead costs, including air transportation. DSCP passes all costs associated with PV to customers the following year, so ensure you minimize interest penalties by transmitting PND receiving documents on-time.

b. Direct Vendor Delivery (DVD) Non-Equipment. The DVD "supply" surcharge for other than medical equipment increased from 5.4% (SPEDE) and 7.2% (Manual) to a combined rate of 68.3%. DVD rates apply to most requisitions you send to DSCP for other than depot stocked items. DVD rates also apply to items USAFE bases send to USAMMCE that get referred to DSCP or are filled from stock at USAMMCE that was purchased from DSCP using DVD. Each stock record account must review their list of DVD-procured items and determine the best alternative strategy for each item. See paragraph 1d below for equipment.

(1) Check for availability under DSCP Distribution and Pricing Agreements (DAPA) using the Universal Data Repository (UDR). This involves effort up front, but the cost savings are substantial. Don't forget to communicate usage data with your Prime Vendor before ordering.

(2) For items under the small purchase threshold (\$2,500 per purchase or up to \$25,000 if available under a pre-priced agreement), consider using the IMPAC card.

(3) Determine availability under DBPAs. DBPA product lines and pricing lists are published on the UDR, which is updated on CD-ROM and distributed monthly to all accounts. You can also refer to the Oct 99 issue of the AFMLL for the complete listing of DBPAs.

(4) Items that exceed small purchase thresholds for IMPAC buys, or are not available under DBPAs can be obtained through the Veterans Affairs Special Services (VASS) Contracting Office at AFMLO or your Base Contracting Office. Although the VASS Contracting program focuses on buying through Federal Supply Schedules (FSS), they can also negotiate for open market items. The AFMLO/VASS surcharge is \$150 for items less than \$15,000, and 1% for items over this amount. The rate is 2% for open market items.

(5) For USAFE bases, coordinate with USAMMCE (Pirmasens) to ensure your requirements aren't unnecessarily sent to DSCP for DVD. In most cases, your stock record account or USAMMCE should be able to procure the item as outlined above.

c. Depot Stocked: DSCP's surcharge for depot stocked items rose from 53% in FY99 to 73.2% this year. DSCP's depot stock currently includes over 2,200 medical/surgical products and 76 pharmaceuticals. To qualify as a depot stocked item, it must either have a delivered price substantially lower than DAPA and FSS, be a military unique item (like BW/CW agent antidotes) or be a controlled item that must be stocked for overseas activities. You can find a complete list of depot stocked items and prices in the UDR. If you can buy the item at a lower delivered price (including surcharge) than depot stocked, then consider changing your source.

d. Equipment. The surcharge for DVD equipment increased from last year's rate of 1.9% to 9.8%. Compare levels of service and surcharges for other sources when making your decision for requirements in this category. Surcharge range for radiology and diagnostic imaging equipment is 2.0%-7.6%.

2. DSCP's Electronic Catalog (ECAT) will continue to improve as another acquisition tool that will help eliminate the impact of increased surcharges. The program will provide one-stop shopping via web-based ordering and a MEDLOG interface for a broad range of lab, dental, and optical products. Details of program implementation will follow soon.

3. Please understand that we are not encouraging you to divert business from DSCP, just to ensure you are considering the total delivered cost for items that will result in a substantially higher price than other sources. Thank you for your attention to this matter. Please direct any questions, comments, or concerns to Major Weston (AFMLO/FOM-P) at DSN 343-4168, or (301) 619-4168.

// Original Signed //

JAMES P. MORELAND, Colonel, USAF, MSC
Chief, Medical Logistics
Office of the Surgeon General

Attachment:
DSCP Cost Recovery Rates

Attachment

FY 99/FY 00 Medical Cost Recovery
Variable Categories and Rates

	<u>FY 99</u>	<u>FY 00</u>
Conus Prime Vendor	1.0%	1.3%
Overseas Prime Vendor	11.7%	19.9%
Fleet Prime Vendor	18.1%	28.3%
DVD Spede	5.4%	Combined
DVD Manual	7.2%	Combined
Turnkey TK <\$1.5M/Egypt	3.9%	3.9%
Turnkey TA \$5M and less	2.9%	7.6%
Turnkey TB > \$5M	2.0%	2.0%
EDI	3.5%	25.3%
AAC-J	2.0%	39.1%
Stocked	53.0%	73.2%

New Categories Established FY 99

Turnkey (TC)	1.9%	1.9%
DVD Equipment	1.9%	9.8%

New Category Established FY 00

DVD Spede/Manual	68.3%
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