

Good morning Chairman LaLota, Ranking Member Scholten, and distinguished Members of this Committee. Thank you for the opportunity for me to be here today. It is my honor to provide my testimony to this committee about ways that our small business can work with the federal government with greater efficiency and effectiveness.

My name is Bob Taylor, and I am testifying on behalf of my three Grand Rapids, Michigan-based companies and the 71 people I employ. I am the 100% owner of Alliant Healthcare Products, a verified Service-Disabled Veteran-Owned Small Business (SDVOSB) which sells healthcare products to the VA and US Military Hospitals throughout the world, its sister company Medisurge, a contract medical device manufacturer, and Alliant Biotech, an orthopedic company focused on knee implants.

Background

I had a 17-year military career leading to the rank of Major, I served my first six years in the Air Force on active duty as a B-52 navigator and radar navigator.

As a First Lieutenant, I flew eleven combat missions in the First Gulf War. I wrote a book which was published earlier this year called, "From Service to Success" The book reflects on my combat experience, the challenges I've faced since then, and provides a roadmap of how veterans can overcome those challenges and not only survive, but to find their greatest success in life.

Since starting Alliant Healthcare Products almost 22 years ago, we've become experts at navigating the complexities of the federal market. We have earned a strong reputation as an exceptional federal market expert who provides value throughout the supply chain. Small businesses are vital to this space. If we learned anything from our experience with Covid is that our supply chain is fragile, and it is imperative to our national security and the welfare of our citizens that we maintain a vibrant and diversified supply base with a strong focus on small businesses.

Our small business has streamlined the process for helping the VA and military hospitals in acquiring over 200,000 different healthcare products from over 40

different manufacturers. In addition, our most important benefit to the government is that we do not mark up prices for approximately 90% of the products we provide. We allow the contracting officer to negotiate fair and reasonable pricing as though they are buying directly from the manufacturer themselves, and then we honor those prices.

In the words of one contracting officer:

“We love working with Alliant because you offer the same exact pricing and your team understands the government procurement process better than the manufacturers” -unquote

Challenges?

My understanding is that this committee wants to know why small businesses are exiting the government space. I think I can provide some insight.

Our major challenge in dealing with the federal government is the time and data required prior to obtaining necessary contracts to meet the government’s needs. The impact is significant. It costs our company in lost revenue and profits, but it also delays lifesaving and/or life-improving healthcare for our nation’s warfighters and veterans. The delays are not measured in weeks and months, but in years.

As examples, our products need to be on multiple different contracting tools like the Federal Supply Schedule, ECAT, IDIQs, DAPA, MSPV, and HTME and others. All require hundreds of thousands of transactional data, and most do not require the same data. Also, If one contracting officer determines a price to be fair and reasonable, the others do not recognize that determination. Each submission takes anywhere from 12 to 18 months or longer. The process of their analysis takes so much time that the data must be resubmitted, which causes more delays. These requirements are daunting.

Other challenges include government payments. Alliant currently has \$7.4 million in receivables from the federal government. Of that, approximately \$4.2 million is past due. The government is not paying in a timely manner. What’s interesting is

that Congress passed laws to ensure timely payments to small businesses as described in FAR Part 32.009, but the agencies are not adhering to that law.

Congress also passed laws to require prime contractors to sub-contract with SDVOSBs but are allowed to achieve subcontracting goals that are far below requirements. For example, the law requires 3% subcontracting, but the actual numbers are an order of magnitude below that stated requirement.

Conclusion:

Alliant offers the military and VA hospitals the ability to acquire healthcare products in a streamlined and efficient manner. We could do more and drive greater efficiency, but we need to work together to solve these challenges. The government needs to realign its contracting tools to consolidate the required data for awarding contracts. The agencies also need to follow the laws that are already in place.

This concludes my testimony. Thank you all very much.

End of oral testimony

Attachment

Suggested Improvements

1. Pre-Award Audits should require a sampling of data rather than a 100% review of data. If the government chooses to do a more thorough audit, it can be conducted post-award and pricing adjustments made as data dictates.
2. Once an item is determined to be offered at a fair and reasonable price, then the other contracting officers should be able to use that determination to award a contract on their contract regardless of agency.
3. Various contracting tools should consolidate requirements so that contractors have a more consistent requirement across multiple contracts and multiple agencies.
4. The definition and determination of “fair and reasonable price” needs to be defined consistently across all contracts.
5. The data requirements to determine fair and reasonable price is too onerous and is an outdated method for determining a suitable price for selling to the government. The process requires a much more streamlined process.
6. Third parties could be utilized to conduct pre-award audits. Perhaps industry could pay for these services if it resulted in receiving contracts faster. This system has been used by the FDA for some product submissions.
7. Contracts need to be “open” more frequently to allow new businesses and new technology an opportunity to reach the intended market. Some contracts are closed for five years and some only allow modifications once per year.
8. Each contracting officer needs to have a deadline to either award or decline a contractor’s submission. The agencies cannot require more data than they can in-turn process.
9. Whether a contractor offers 10 items or 200,000 items they have only one contracting officer to evaluate the offer. Resources need to be applied based on the size and scale of the offer to meet deadlines.