

**STATEMENT OF
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DEPARTMENT OF VETERANS AFFAIRS (VA)
BEFORE THE COMMITTEE ON VETERANS' AFFAIRS
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS**

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Good morning, Chairman Pappas, Ranking Member Bergman, and distinguished Members of the Committee. Thank you for the opportunity to testify today about the resiliency of the Department's supply chain. I am accompanied today by Ms. Deborah Kramer, Acting Assistant Under Secretary for Health for Support, Veterans Health Administration (VHA), and Mr. Andrew Centineo, Executive Director, Procurement and Logistics Office, VHA.

Introduction

The Department of Veterans Affairs (VA) response to Coronavirus Disease 2019 (COVID-19) demonstrated the strength and agility of an integrated healthcare system, geographically distributed across the United States and operating as a single enterprise. As COVID-19 incidence varied by jurisdiction, and despite global shortages of Personal Protective Equipment (PPE), critical equipment and consumable items, VA was able to sustain operations in locations experiencing high demand due to COVID-19 surges.

Supply Chain challenges are not unique to VA. Due to the COVID-19 pandemic, we are experiencing the same challenges as every hospital system in the country. However, the advantage of being the largest integrated health care system in the country, one with 170 hospitals, is our ability to share our supply and personnel resources between sites based on immediate healthcare needs. To be clear, we prepare year-round for all contingencies, to include infectious diseases and all other catastrophic events. However, the magnitude of this global pandemic has provided the opportunity for some improvements. Prior to this pandemic, VA began transforming our supply chain to increase efficiency, maximize value to clinical customers and deliver real-time analytics capability to support fast and accurate enterprise decision making. Now, more than ever, this work is essential, and we are committed to aggressively driving the change required to improve VA's supply chain performance.

Supply Chain Modernization and Defense Medical Logistics Standard Support (DMLSS)

VA's effort will address people, training, processes, data, and automated systems. To achieve greater efficiency, VA will strengthen its long-standing relationships with Department of Defense (DoD), leveraging their expertise to modernize VA's supply chain operations, while allowing VA to remain fully committed to providing quality health care. Through this collaboration with DoD, VA will implement

the DOD's DMLSS system on an enterprise-wide basis to replace VA's legacy systems, some of which were designed and deployed in the 1970's. These legacy systems are stand-alone systems, meaning VA lacks a single enterprise perspective of its healthcare logistics operations including acquisition, medical supply and equipment support, medical maintenance, property accountability, facility maintenance and construction. VA's implementation of DMLSS will ensure enterprise visibility and decision-support capabilities that integrate with DoD's prime vendor capability to deliver the right products to the right places at the right time, ensuring world-class Veteran healthcare while providing the best value to the government and taxpayers.

VA will complete the go-live transition to DMLSS at the James A. Lovell Federal Health Care Center this month. We will begin deployment to Veteran Integrated Service Network (VISN) 20 later this fall. In DMLSS, VA is leveraging a proven system developed, tested, and implemented worldwide by DoD, and interfaced with DoD's Electronic Health Record, the same Cerner platform VA is deploying across the Veterans Health Administration.

Medical Surgical Prime Vendor 2.0

The Medical Surgical Prime Vendor (MSPV) program is designed to help drive the Secretary's strategic vision and priority of modernizing the VA health care supply chain with a specific focus on improving business and operational processes, systems, and procurement capabilities. To accomplish this, we are aggressively preparing to implement MSPV 2.0 to replace MSPV-Next Generation.

In support of MSPV 2.0 and VA's supply chain transformation initiative, we are focusing on several key areas: modernizing enterprise systems and processes, simplifying operations, identifying efficiencies and digital solutions, using data to gain insights and support decision-making, and reducing operating expenses. We continue to identify and pursue opportunities to transform and improve the way we do business by focusing on our Veterans, supporting supply chain programs, and our ability to effectively equip our clinicians and facility support staff.

MSPV 2.0 will enable expansion and enhancement of future MSPV supply availability and product list offerings and will incorporate a broader array of supplies and equipment, based on clinical requirements and health care operational needs. We continue to expand supply availability by working in tandem with established Clinical Integrated Product Teams, who work to ensure that safe, high-quality products are included in the current Formulary and future MSPV Product List.

We continue to simplify operations, gain efficiencies, and advance VA's modernization strategic objectives by transforming our supply chain eco-system into a modern, lean, and integrated full-service health care supply chain. Additionally, we have made significant progress toward improving our Prime Vendor accountability methods in order to maintain contractual obligations and achieve desired performance metrics. We aim to exceed commercial industry analytic and business benchmarks to promote

informed and rapid decision-making through the automation of previously manual, labor intensive tasks. MSPV 2.0 will enable us to realize significant time savings and cost avoidance, as well as prioritize high value contracting activities. These data-driven advancements position the MSPV program to improve catalog maintenance and visibility of enterprise-level spend and usage data, promoting efficiency, accountability, and transparency of VA processes.

Capability Gap

VA intends to establish Regional Readiness Centers, geographically distributed to support the four VISN Consortiums. A VISN Consortium is a partnership between multiple VISNs located in the same region of the country. VISNs formed consortiums to foster collaboration among medical centers and to enhance operations and the delivery of health care to Veterans. To accomplish these goals, the consortiums use regional contracts, sharing full time equivalent employees and materiel, and joint networks for referring patients and conducting telehealth. VA's intent in establishing the Regional Readiness Center capability is to build resiliency into the supply chain to enable VHA to sustain continuous services to Veterans and the resumption of normal pre-COVID-19 operations. They will also support VHA readiness for local, regional and national COVID-19 outbreaks by minimizing medical supply chain disruptions due to increased global demand for PPE as well as other critical items (e.g., ventilators and ventilator consumables; dialysis machines and dialysis consumables; laboratory equipment, test kits and swabs). In the long term, the Regional Readiness Centers will support VHA preparedness for regional and national public health emergencies, including those secondary to national disasters (e.g., hurricanes or floods).

The provision of medical products to hospitals, clinicians and patients depends upon a globally integrated supply chain designed to provide Just-in-Time (JIT) delivery. JIT, and the lean manufacturing practices it relies upon, cuts cost by reducing the amount of stock held at every link in the supply chain from raw material providers to the patient's bedside. In the JIT and lean models, the objectives are to reduce waste, increase efficiency, and cut cost throughout the supply chain. JIT and lean work well when the demand for end products is known and predictable, as is typically the case. In the past, when an event such as a natural disaster (e.g., hurricane) disrupted some segment of the global integrated supply chain, there was enough remaining supply chain capacity to limit disruptions to care.

While preparedness was always a consideration in commercial and federal healthcare contingency planning, that planning relied upon an intact and responsive global medical supply chain. COVID-19 shattered the global PPE and critical item medical supply chain. What began as a disruption in foreign manufacturing of PPE was quickly exacerbated by increased worldwide market demand and supply challenges driven by the global pandemic.

As VA confronted the same PPE and critical item shortages as other hospital systems, VA began executing its "Fourth Mission" as a key component of the Nation's preparedness for national emergencies, including pandemic response. That mission

rapidly expanded to include accepting non-Veteran patients to decompress overwhelmed public and private hospitals, and what was, prior to COVID-19, a combined State and Federal Emergency Management Administration (FEMA) mission support of State Veteran Homes.

Evolving Approach

While the JIT model works for most medical materiel, the global demand for PPE created by COVID-19 proved JIT no longer works for PPE, ventilators and ventilator consumables; dialysis and dialysis consumables; and laboratory equipment, test kits and swabs. VHA must establish an enterprise wide capacity to store, maintain, manufacture, manage and distribute PPE, critical medical materiel and PPE preservation technology (e.g., PPE decontamination systems) if it is to sustain its traditional mission and “Fourth Mission” through the COVID-19 pandemic and any future regional and national emergencies.

VA’s COVID-19 response proved the VISN Consortium model is an effective component to VHA readiness. It also revealed that VA must increase operational stock levels available to its medical facilities and establish its own capability to support the four VISN Consortia. In order to minimize supply chain disruptions and shortages during COVID-19 demand surges, and support VA’s “Moving Forward Plan,” VA must source, deliver, and operate as an enterprise to effectively manage its supply chain, for PPE and other critical items.

Transitioning from our current state to sustainable and flexible supply chain operations requires building resiliency into our supply chain. VHA can advance its state of readiness by implementing a combination of actions. Effective and efficient contingency planning and execution will include partnering with other government Departments (e.g., DoD, Department of Health and Human Services (HHS), the U.S. Food and Drug Administration (FDA), and the Indian Health Service) in addition to working with industry to refine models to optimize readiness and offset costs of potency and dated items.

VA established a storage and distribution partnerships with HHS and DOD. Through the establishment of Interagency Agreements with HHS and DOD, VA is ensuring it has enough storage and distribution capacity for the critical supplies it is acquiring to enable VHA to sustain services to Veterans and the resumption of normal pre-COVID-19 operations. This capacity will also support VA readiness for local, regional and national COVID-19 outbreaks. In the near-term, VA will increase the amount of critical medical materiel each VAMC maintains. Currently, each VAMC maintains at least 60 days of critical materiel (e.g., PPE, ventilators / ventilator consumables, and dialysis / dialysis consumables). For VAMCs a day of supply is equivalent to the typical pre-COVID-19 demand signal plus the materiel required to sustain the COVID-19 response.

In the mid-term, VA will establish a Regional Readiness Center for each of the four VISN Consortiums. The Regional Readiness Centers will act as a central source for management and resupply for the VISN Consortiums' VAMCs PPE and critical item needs. They may also support Fourth Mission customers as required and resourced (e.g., State Veterans Homes). Each Regional Readiness Center coupled with VHA medical facilities must be capable of maintaining a combined depth of 120 days of supply.

Additionally, each Regional Readiness Center must be capable of storing, managing and distributing critical equipment items that are immediately available should VAMCs / VISNs require additional equipment to support a disease outbreak. Regional Readiness Centers will each operate a Battelle Critical Care Decontamination System (CCDS) for decontamination of the VISN Consortium's N95 respirators, and as required by a FEMA Mission Assignment, support local community hospitals.

Finally, in the mid-to-long-term, VA will determine and implement the appropriate blend of readiness capabilities. To ensure VHA can sustain its critical medical materiel needs for up to six months before it must seek support from HHS or FEMA, VHA must identify the proper mix of organic, federal and commercial capabilities required. It is anticipated this will include Regional Readiness Centers, Vendor Management of VHA owned inventory, 3D printing and agile manufacturing; VHA and/or VA-DoD manufacturing, and partnering and inclusion in DoD programs directly aligned to 38 U.S.C. 8111 - Sharing of VA and DoD health care resources such as participation in the FDA Shelf Life Extension Program.

Conclusion

Veterans' care is our mission. We are committed to providing high-quality health care to all our Veterans even during these unprecedented times. Your continued support is essential to providing this care for Veterans and their families. This concludes my testimony. My colleagues and I are prepared to answer any questions you may have.