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**BEFORE THE**
**SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS**
**COMMITTEE ON VETERANS' AFFAIRS**
**U.S. HOUSE OF REPRESENTATIVES**

**"VA PROCUREMENT: MADE IN AMERICA"**

**SEPTEMBER 20, 2023**

Good afternoon, Chairwoman Kiggans, Ranking Member Mrvan, and Members of the Subcommittee. I am pleased to appear before you today to discuss VA Procurement and the Department's compliance with domestic preference (for example, Made in America) statutes, other laws, Executive Orders, regulations and policies that govern the purchase of goods and services by Federal entities. Joining me today are my colleagues, Dr. Angela Billups, Executive Director, Office of Acquisition and Logistics, OALC, and Senior Procurement Executive; Mr. Andrew Centineo, Executive Director for Procurement and Logistics from the Veterans Health Administration (VHA); and Dr. Thomas Emmendorfer, Executive Director, Pharmacy Benefits Management Services, VHA.

The Coronavirus Disease 2019 (COVID-19) pandemic heightened awareness of our dependence on markets outside the U.S. for the raw materials and the manufacture of certain products. This dependence is not just a VA problem, but a national problem that has been decades in the making. During those decades, U.S. industry has outsourced manufacturing and supply chain capabilities to overseas entities. Essential health-care items, such as, personal protective equipment (PPE) and pharmaceuticals, are two examples where U.S. dependency on foreign markets over the years has increased. With this vulnerability in mind, Congress, the Administration and industry have placed renewed emphasis on the manufacture and purchase of products made in the U.S. However, achieving the goals espoused in these statutes, policies and executive orders takes time. VA is committed to full implementation of our statutory requirements and we are working in collaboration with other Federal entities and industry to identify U.S.-made products and support the rebuilding of U.S. manufacturing capacity.

As CAO for the Department, I am a strong proponent of purchasing products that are made in the U.S. The VA's primary mission is providing high quality health care, benefits, goods and services to Veterans. We saw first hand the fragility of some of the supply chains upon which we depended during the pandemic and are committed to ensuring we are not in this position in the future. The Buy American Act (BAA) and the Build America, Buy America Act (enacted as part of the Infrastructure, Investments and Jobs Act (IIJA)), each include specific language espousing a preference for the procurement of domestic products.

VA operates the largest integrated health care system in the U.S. The population of Veterans receiving care in VA health care facilities is expected to grow, the present VA population served is just over 9 million enrolled Veterans, out of the U.S. population of 337 million people.

Availability of 100% domestically produced PPE requires a clear and organized federal demand signal to support the existing and future industry investments, innovation as well as a long-term commitment. VA is committed to working with other Federal agencies to communicate to industry the importance of domestically produced PPE.

**VA Compliance with the Buy American Act**

VA complies with the BAA by following the standardized guidance in the FAR, VA Acquisition Regulation (VAAR) and the VA Acquisition Manual (VAAM), where appropriate. VA has also published IIJA requirements and standardized guidance in the VAAM, building on the BAA guidance in the FAR, identifying the difference between the BAA and IIJA requirements, along with establishing and publishing other standardized guidance specific to IIJA in the VAAM, which was effective in February 2023. Contracting officers and heads of contracting activities responsible for making these assessments have ready access to information and tools needed to effect BAA compliance and other requirements. When needed, there are established procedures for requesting a waiver or applying an exemption that I review personally.

**VA Pilot to Preference Domestically Manufactured Drug Products**

One area where VA has had to request waivers of Made in America requirements concerns the purchase of pharmaceuticals. Many drugs require ingredients that come from, or are manufactured in, markets outside the U.S. With Veterans' health care needs as our priority, it is not always possible to obtain the required medication from a domestic source. However, VA is continuously engaged in efforts to increase opportunities to purchase domestically manufactured products.

As an example, VA Pharmacy Benefits Management (PBM) Services and OALC will pilot a program to preference domestically manufactured drug products. VA PBM Services will start by selecting two drug products and OALC will develop the acquisition strategy which will include a preference for domestically sourced and manufactured products. If the pilot is successful, VA will evaluate potential expansion to additional products. To enable this work, VA PBM Services will choose two drugs from the Drug and Biologic Essential Medicines, Medical Countermeasures and Critical Inputs for the List Described in section 3(c) of Executive Order 13944; Executive Order on Ensuring Essential Medicines, Medical Countermeasures, and Critical Inputs Are Made in the United States; to develop a concept of need and requirements. PBM Services will then submit the concept of need and requirements to OALC to develop the acquisition strategy. VA anticipates initiating the pilot by the end of the first quarter of fiscal year 2024 with a final decision leading to an award for the effort within 12 months after.

**Working with Industry**

VA's ability to achieve BAA goals involves regular and open communication with industry. As part of VA's outreach to and partnership with industry, VA staff have conducted numerous industry days in support of VA's Medical Surgical Prime Vendor (MSPV) program. Additionally, VHA procurement and logistics staff regularly engage manufacturers and suppliers to better understand how entities interpret VA requirements and new developments and innovations in the marketplace. These bidirectional conversations are invaluable and provide industry insights on the availability of products, market trends, best practices and innovations.

In April 2023, VA participated in Make Personal Protective Equipment (PPE) in America Industry Day hosted at the U.S. Department of Health and Human Services (HHS). Federal agencies expressed their commitment to work towards full implementation of the Make PPE in America Act, with the end-state of buying 100% "made in America" PPE. In many circumstances, we've found certain inputs of PPE are not yet manufactured in the US. raw materials manufactured overseas.

Additionally, VA is committed to collaborating with other agencies and the Office of Management and Budget to fully implement the Make PPE in America Act. For example, VA efforts to implement the Make PPE in America Act include, but are not limited to:

(1) developing an executable acquisition strategy for each PPE item identified in the PPE Act that has been prioritized for action,

(2) developing common requirements and an acquisition strategy for all items on the consensus PPE list by the end of calendar year 2023, and

(3) reporting noteworthy accomplishments towards the development of a long-term PPE strategy under the President's Management Agenda. This reporting amplifies the Administration's commitment to organize federal demand and strengthening the domestic supply chain for PPE through increased program, project, and buying office participation.

Following Industry Day, VA issued a request for information to the Blanket Purchase Agreement (BPA) holders participating in VA's MSPV program to gauge how many are fully compliant with Made in America Act requirements. To date, through vendor self-certification, VA has identified 129 items on its MSPV product list that are 100% Made in America compliant. Through this process we also identified items that are not; for example, none of the BPA holders participating in VA's MSPV program offer nitrile gloves, a critical PPE item that currently meet the requirements of the Make PPE in America Act.

VA remains committed to explore and support with industry partners all opportunities to realize Make PPE in America. The journey requires support beyond the Federal health care space of VA (and DoD) to achieve the goal, maintain supply chain resiliency and reduce dependency on overseas markets for PPE requirements ranging from raw materials to finished

products. Our efforts, however, extend beyond PPE as we work in support of increasing the purchase and manufacture of products Made in America.

**Conclusion**

Chairwoman Kiggans, Ranking Member Mrvan, and Members of the Subcommittee, thank you for the opportunity to speak about VA procurement and the opportunities to increase manufacturing and production within the United States and to reduce our dependency on overseas markets for certain raw materials and finished products. My colleagues and I are pleased to answer any questions that you may have.