

**Senate Veterans' Affairs Committee Hearing**  
**Building a More Resilient VA Supply Chain**

Opening Statement of Chairman Jerry Moran  
Tuesday, June 09, 2020

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*(As Prepared for Delivery)*

“Good afternoon, everyone. The Committee will come to order. Today’s hearing is on “Building a More Resilient VA Supply Chain,” with a focus on what we have learned from this COVID-19 pandemic.

"A bipartisan, enduring priority of this Committee is to ensure that the VA is equipped to fulfill its core mission to deliver timely, high-quality health care to the veterans it was created to serve.

“Last August, as the VA entered into a partnership with the Defense Logistics Agency to speed acquisition for material support, Secretary Wilkie stated, “In the 21st century, an ad hoc supply chain is not sufficient,” and, “It does not do justice to those we are sworn to serve.”

“The VA recognizes the need to build a more resilient supply chain, the question now becomes “how.”

“The COVID-19 pandemic has put massive stress on the supply chain and created unprecedented global demand for personal protective equipment – PPE – and other medical supplies. Inherent fragilities in the just-in-time inventory model have been severely strained in recent months. This confluence of factors has highlighted the need – the necessity – to reform the VA’s procurement organization and processes.

“The challenge VA confronts is how to strengthen the supply chain in real-time, while also making it more resilient and operationally effective in the long-term.

“I am encouraged to see VA moving quickly, but there is also a need to be strategic in this decision-making.

“I understand the need to have more inventory on-hand and reestablishing some form of supply depots may be part of that effort. But we must take care not to establish parallel, competing supply chains.

“Logistics is also fundamental to this equation. Inventory that is unable to move is no use to anyone.

“The Veterans Health Administration is saddled with an aging, disparate inventory management system and a medical supply chain that was conceived over 30 years ago.

“Repeated reform attempts have too often misfired or added complexity, resulting in time-consuming and error-prone inventory counts. Transferring supplies between VA facilities in different Veteran Integrated Service Networks – or VISNs – is also unnecessarily burdensome and difficult.

“It is a testament to the dedication of VA’s clinicians and administrators that they make the system work despite the difficulties.

“The Medical Surgical Prime Vendor contracts were once the backbone of this supply chain. But this program has been chaotic since it was relaunched in 2016, and I believe the strategy needs to be reevaluated.

“These supply chain issues are not intractable, but they will require sustained attention to develop a modern inventory management system across the enterprise.

“This administration has used the Defense Production Act to provide loan guarantees and cost-matching grants to help domestic manufacturers expand their production capacity in response to COVID-19.

“Many companies have added shifts and reconfigured equipment to boost output. For example, Spirit Aerosystems in Wichita, Kansas, is using the speed of their aircraft manufacturing line to build respirators.

“The DPA also allows the federal government to allocate materials and subcontracts on a manufacturer’s behalf, and I commend the administration for doing so when asked.

“Under the DPA, federal agencies can prioritize the delivery of their contracts, but this results in an inherent tradeoff. I would like to understand how the coordination among VA, FEMA and HHS may be affecting the VA supply chain.

“Coordination is key in challenging circumstances, and I believe the VA Secretary should be added to the Defense Production Act Committee to efficiently facilitate veteran care and leverage VA resources. Senator Tester and I expressed this desire in a letter to President Trump and it is my understanding the VA concurs.

“There are substantive suggestions on how to strengthen the VA’s medical supply chain, including recommendations from the Commission on Care, the VA’s Office of Inspector General and the Government Accountability Office.

“Each have called for a more unified supply chain—from the VA’s central office to the medical centers —supported by modern, integrated IT systems. I am eager to hear the perspective of our witnesses on the second panel as to how VA can rise to this challenge.

“The COVID-19 crisis has compounded persistent VA supply chain problems, and there is no better time than the present to be addressing them. It would be a mistake to consider this pandemic transitory and let our guard down.

“I look forward to hearing the testimony of our witnesses and working on solutions to build a more resilient VA supply chain that meets the needs of our nation’s veterans.”