

**HEARING BEFORE
THE COMMITTEE ON VETERANS' AFFAIRS
THE UNITED STATES SENATE**

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**Testimony of Michael S. McDonald
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Chairman Moran, Ranking Member Tester, and distinguished members of the Committee, thank you for the opportunity to appear before you today. My name is Michael “Mac” McDonald, and I am the Director of Government Operations for 3M’s Health Care Business Group (“HCBG”). In this role, my areas of responsibility include leading and directing HCBG’s business-related activities with government and creating solutions for our federal government customers, including the VA.

Prior to joining 3M in 2013, I served in the United States Army for 30 years, retiring at the rank of Colonel, Medical Service Corps, area specialty, Medical Logistics Officer. I served in numerous command and staff positions within the Department of Defense, culminating as the Director for Medical Logistics within the Office of the Assistant Secretary of Defense for Health Affairs.

By virtue of both my previous service in the military and my current position at 3M, I have had the unique opportunity to sit on both sides of the desk during a public health emergency—and have learned a great deal as a result.

Specifically, in 2005 during the H5N1 avian flu pandemic, while serving as the Director of the DLA Medical Material Division, I learned several important lessons, including how to refine procurement processes and how to improve surge capacity in response to a pandemic. At that time, 3M was one of the only companies that provided respirators that met the medical requirements to respond to the avian flu outbreak.

Today, amid the COVID-19 pandemic, I am now working *for* 3M and have also learned a great deal, including how a manufacturer responds to a surge event and the impact of a pandemic on a supply chain. And consistent with 2005, 3M remains at the forefront of providing respirators that help to protect both health care workers and first responders.

Given these experiences and perspectives, it is my hope that my testimony today will prove helpful as your Committee reviews possible steps to strengthen and improve the supply and delivery of medical material via the VA.

BACKGROUND

3M is a leading provider of personal protective equipment and medical solutions worldwide for medical professionals, workers and the public. Besides the disposable N95 respirators that are 3M’s most widely known personal protective equipment product, we are also a leading manufacturer and

supplier of reusable respirators, including Powered-Air Purifying Respirators (PAPRs), elastomeric reusable respirators, and Self-Contained Breathing Apparatuses (SCBAs). In addition, 3M provides other critical products in support of a pandemic response, including hand antiseptic, single patient use stethoscopes and disinfectants, as well as oxygenator membranes, disinfecting wipes, and COVID-specific health data coding systems.

3M's Response to COVID

3M is playing a unique and critical role in the fight against COVID-19 and it is a responsibility we take seriously. During this global crisis, the safety of our employees and the public, including healthcare workers and frontline workers responding to COVID-19, has been, and continues to be, paramount. We are grateful for the work our people are doing to support the public health response and are taking actions to help protect their well-being, including remote work when possible and robust safety protocols in our facilities.

Beginning in January, 3M began increasing its production of N95 and other respirators, doubling its global output. In the United States alone, we activated our surge capacity and made additional investments, increasing our N95 production rate from 22 million per month pre-pandemic to 35 million per month today. By later this month, we will be producing at a rate of 50 million per month—and in October, we will be producing at a rate of 95 million per month. As a result, our annual United States production level will ultimately be 1.1 billion per year, which is more than *four times* our pre-pandemic production level. 3M is also increasing our supply of reusable respirators and powered air-purifying respirators (PAPRs) which are often suitable alternatives to disposable N95 or similar respirators.

We recognize that the high demand for 3M N95 respirators and similar products continues to outpace the accelerated rate of production from our company and other respirator manufacturers. Accordingly, we will continue to prioritize critical healthcare needs, including respirators for front-line healthcare workers, first-responders, and other critical infrastructure users. As the country returns to work, our products will play an important role in helping to protect health care workers facing new risks as they provide services in health care settings such as non-emergency surgeries, dentistry, and orthodontics.

In addition, 3M has launched a global effort to combat fraud and price gouging and help protect the public against those who seek to exploit the demand for critical 3M products during a pandemic. Most important, 3M has not and will not increase its prices for N95 and other respirators as a result of the pandemic. We have created and made available a number of resources to help purchasers of respirators and the public avoid price gouging and other unlawful activities. For example, to help buyers identify and avoid inflated prices, we have taken the important step of publishing our list prices for N95 respirators. We have created a public hotline to help callers identify authentic 3M products and ensure products are from 3M authorized distributors, and on our website the public can report cases of suspected fraud. Also, we have established points of contact for federal and state procurement officials to validate third-party offers and quotes. We have worked with state and local government and federal agencies, including the VA, to help determine the validity of orders and proposals.

In the fight against fraud, we are working with federal and state law enforcement, technology companies, and online resellers to help prevent fraud before it starts and stop it where it is occurring. We have also filed multiple lawsuits to help protect the public and stop unlawful activities, and we will donate any monetary damages recovered from these lawsuits to COVID-19 related nonprofit organizations.

3M's Partnership with the Department of Veterans Affairs and COVID Response Lessons

3M and the VA have partnered for more than 25 years, with 3M providing solutions through multiple contract vehicles, including Federal Supply Schedules, the GSA Schedule, Blanket Purchase Agreements, Direct Orders, and the Medical/Surgical Prime Vendor-Next Generation Bridge Program. In responding to the COVID-19 crisis, 3M has served as a critical supplier to the VA. Over the past five months, 3M has supplied the VA with 1.8 million N95 disposable respirators. There are existing contracts in place to provide continued support to the VA. The VA has projected a requirement of 60 million disposable respirators for the next 24 months. In addition, the VA has contracted with 3M for 25,000 PAPRs and approximately 25,000 elastomeric respirators..

While working with the VA to deliver critical medical supplies during the ongoing COVID-19 pandemic, we observed that there would be value in implementing a clinically integrated supply chain system to ensure system-wide visibility and requirements-driven solutions. A centralized system is critical to triaging needed supplies during a period of supply-demand imbalance. In February 2020, we met with VHA to discuss enhanced coordination with vendor partners to ensure logistical and acquisition efficiency for our veterans. As the COVID-19 Emergency intensified in March 2020, VHA facilitated coordination among all suppliers by developing a "Response Cell" charged with acquiring, prioritizing, and delivering PPE supplied by manufacturers. The VHA's Emergency Management Coordination Cell ("EMCC") centralized VHA acquisition programs to promote efficiency. For example, all Veterans Integrated Service Networks were directed to the EMCC's bulk supplies. The EMCC also took steps to reduce duplicated orders and ensured limited material was directed to points of need. 3M worked closely with EMCC program managers to track and manage weekly contract fulfillment ensuring that shipments were accurately delivered. The EMCC demonstrates that a centralized system of procurement and distribution works during a national emergency.

Going forward, the concept of a "cell" to centralize and coordinate acquisition and logistical efforts should be considered as a best practice. A centralized "cell" would give the VA enhanced control of its the supply chain and would help ensure that the right materials are at the right place at the right time. The VA could also standardize a centralized acquisition authority ahead of a COVID-19 second wave or a future emergency event.

The VHA should also consider a stockpile program like the U.S. Department of Defense stockpile program. Stockpiles provide an initial store of supplies that an EMCC can draw from while vendors ramp up.

Additional Proposed Reforms to the VA System

Due to our strong relationship with the VA, we are familiar with its planning and procurement processes and we stand ready to assist with its broader modernization efforts through programs like the Coalition for Government Procurement industry advisory program. Similarly, we are very encouraged by Secretary Wilkie's prioritization of business systems transformation because this effort will include the VHA's supply chain program.

While significant reforms have been adopted to modernize the VA, the Medical Surgical Prime Vendor Program remains a work in progress because of the limited capabilities that program has in the following areas: integrated inventory management system, procurement processes, and system-wide visibility.

Health Care Supply Chain Transformation starts with the patient/clinical provider and reform should aim to address the following topics:

- Clinically driven and integrated and clinically accepted solutions where the clinicians are involved in decision making
- Automating systems and process integration (DMLSS/LOGICOLE)
- Standardizing and simplifying processes, leverage buying authority (MSPV 2.0)
- Clinical Process Review Committees / Value Analysis Teams
- Value based evaluations
- Adaptive scalable approaches to responses
- Critical Infrastructure Protection Manufactures

Finally, one of the key steps needed to drive change is the development of a process map to help direct and improve change management over time. This process requires time, a phased approach, and strategic communications.

Conclusion

3M is proud to be a leading supplier of personal protective equipment and other healthcare related products to assist not only with the current COVID-19 pandemic, but also to continue to enable the VA to better serve our nation's veterans.

We are committed to continuing to work with –and be a strong partner to– the VA as it moves forward in its efforts to modernize its current procurement process. We are eager to serve as a resource to both the agency and this Committee during this ongoing process.

Thank you again for this opportunity to appear before you. I am pleased now to answer any questions you might have.