

**Statement
of the
American Hospital Association
for the
Committee on Homeland Security and Governmental Affairs
of the
U.S. Senate
“COVID-19 Part II: Evaluating the Medical Supply Chain and Pandemic Response Gaps”
May 19, 2021**

On behalf of our nearly 5,000 member hospitals, health systems and other health care organizations, our clinician partners – including more than 270,000 affiliated physicians, 2 million nurses and other caregivers – and the 43,000 health care leaders who belong to our professional membership groups, the American Hospital Association (AHA) appreciates the opportunity to submit for the record our comments regarding the supply chain challenges faced by the hospital field during the COVID-19 pandemic, as well as our recommendations for strengthening the supply chain.

A strong and reliable medical supply chain is a critical and integral component to delivering safe and effective high quality care to patients; however, it has become increasingly clear that the level of fragility across our national medical supply chain is unsustainable and poses significant risk to hospitals and health systems, as well as the patients and communities they serve.

Hospitals rely on the effectiveness of the various groups that make up the supply chain, including manufacturers, sterilizers, distributors and, in many cases, group purchasing organizations (GPOs). A disruption anywhere in the process has the potential to create a series of prolonged difficulties in supply acquisition for providers, which ultimately can directly affect the patients they care for, the staff who provide the care or even the hospitals’ ability to offer treatment at all. These disruptions can be the result of poor oversight, bad actors, policy initiatives and political motivations, as well as unforeseen and unpredictable events, like the COVID-19 pandemic or severe weather events.



Exacerbating these difficulties is the “lean” or “just-in-time” framework in which the medical supply chain currently operates, meaning there is effectively very little buffer when disruptions occur. Health care providers, distributors and manufacturers have pursued this just-in-time supply chain approach to lower costs so that health care is more affordable, but the pandemic has made clear the risks of such a strategy. When those disruptions occur, providers have little-to-no notice and can be left scrambling to acquire products necessary to perform the core functions of providing health care.

To mitigate these challenges, investment aimed at strengthening the supply chain is crucial. A focus on increasing manufacturing redundancy, diversifying where raw materials are produced and where products are manufactured, and growing capacity of the overall supply chain by “bulking up” and moving away from the “lean” approach will provide significant improvements (see figure 1 graphic). Hospitals and the communities they serve rely on adequate access to life-saving supplies and medications, and without substantial steps to strengthen the current framework, future health emergencies will result in the same shortfall our country recently experienced.

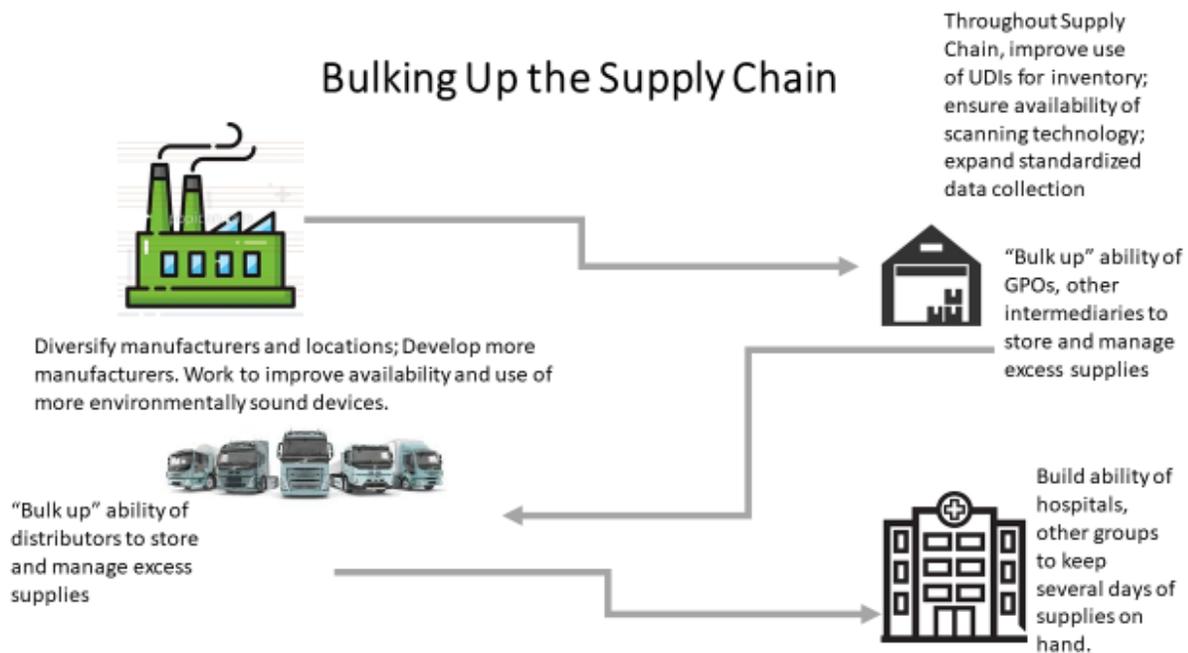


Figure 1: graphic depiction of changes needed to create a more resilient supply chain

Recommendations to Strengthen the National Medical Supply Chain

The AHA urges Congress to take steps to strengthen the nation’s medical supply chain. America’s hospitals and health systems rely on the efficient and timely delivery of supplies so they in turn can deliver safe and effective care, especially in times of emergency. We support increased investments to maintain consistent and continuous access to medical supplies for hospitals and our entire health care system.

- **Diversify manufacturing sites, as well as sources of critical raw materials, to ensure supply chain sustainability.** Currently, the U.S. relies heavily on both China and India for

the raw materials necessary to manufacture medical devices and pharmaceutical products. Further, many manufacturers of these products utilize manufacturing facilities located in China or India. The overwhelming reliance on a limited number of countries for the equipment and pharmaceutical products necessary to care for patients in the U.S. raises serious concerns and poses significant risks to patients and health care workers alike should a disruption occur. Congress and the Administration should encourage redundancy in the supply chain through policy initiatives focused on spurring diverse sites of production, including where possible, onshore manufacturing of critical active pharmaceutical ingredients and products.

- **Support advancements in reuse and reprocessing technologies to mitigate supply challenges while decreasing waste and environmental impact.** The COVID-19 pandemic required providers and manufacturers to adapt quickly to minimize the impact of supply shortages on patients. Several adaptations warrant additional consideration and investment to strengthen the supply chain for the future. For example, efforts to reuse or repurpose certain medical devices, like respirator masks, proved critical when supply was scarce. Continued investments in these technologies can help providers navigate future supply shortages while also decreasing the amount of waste associated with the production and discarding of traditional single-use devices.
- **Invest in new product development.** Opportunities exist to incentivize the development of new products that can be manufactured without raw materials sourced in the U.S., thus increasing the reliability and long-term sustainability of our domestic supplies. Additionally, investments in virtual inventory technology programs that function as supply “control towers” could ensure more accurate product visibility and aid in efforts to identify when supply capacity is approaching demand.
- **Develop and adapt certain data standards to aid in early detection and mitigation of supply shortages.** Disruptions to the supply chain can force hospitals and health systems to cancel non-emergent procedures or delay non-emergent care due to a lack of critical supplies meant to keep both health care workers and their patients safe. In those instances, increased adoption of certain data standards, like the Unique Device Identifier (UDI), and computerized supply systems can enhance inventory management, transparency and the early detection of supply shortages with the goal of resolving the issue before it significantly affects patient care. Further, investments in the purchase of product scanning technology at the point of use can allow providers to quickly assess utilization, recognize upcoming shortages and take steps to resolve them. Increased adoption of both the UDI and scanning technologies will improve multi-directional information sharing and data analytic capabilities across the health care supply chain.
- **Increase end-user inventories and incentivize additional cushion.** The current just-in-time approach to supply chain logistics functions is outdated. The COVID-19 pandemic highlights the real risks this process has posed to patient and health care worker safety, and the provision of vital hospital services. Steps need to be taken to “feed” the supply chain with the goal of ensuring enough product is available, or capable of being made available, when demand increases. For example, supporting an increase in end-user inventory of critical supplies and medications across the existing manufacturing and distribution infrastructure in the U.S. will help add necessary capacity to the existing supply chain.

Further, these actions will decrease the need for large national and state stockpiles, which can be difficult to manage and maintain and present significant operating cost, product expiration and waste issues. Finally, efforts to increase on-hand inventory for end-users allows manufacturers and distributors to increase production capacity, while also putting providers in a position to have enough access to supply in instances where demand spikes but additional measures like the Defense Production Act have not yet been invoked.

Conclusion

The health care supply chain faced unprecedented strain over the past year due to the high demand for personal protective equipment and other medical supplies, both domestically and abroad, during peak periods of the COVID-19 pandemic. Significant federal investment is needed to strengthen the national medical supply chain to ensure the country is prepared for future public health emergencies. We look forward to working with Congress to strengthen the nation's supply chain resiliency.