Medical/Surgical Prime Vendor Contract Emergency Supply Strategies Available before the COVID-19 Pandemic
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Executive Summary

When COVID-19 struck, VA medical facilities’ demand for personal protective supplies increased dramatically. VA facilities pressed their usual suppliers for greater quantities of these supplies, as did many medical facilities everywhere, especially for personal protective equipment (PPE). In VA’s case, the usual suppliers were four primary contractors participating in the Medical/Surgical Prime Vendor (MSPV) Program.1 Primary contractors, known as prime vendors, provide just-in-time distribution of medical, surgical, dental, and laboratory supplies. The prime vendors were also required to provide VA medical facilities, based on their designation as Federal Emergency Medical Facilities, with plans and strategies to ensure emergency and continuous supply support to prepare for major catastrophic events. In addition, VA has the All-Hazards Emergency Cache Program and its Pandemic Influenza Plan to help keep its facilities operational during a catastrophe.

The VA Office of Inspector General (OIG) conducted this review of the contracts and program to determine whether the Veterans Health Administration (VHA) ensured the prime vendors met requirements by offering VA medical facilities a no-cost option to develop supply lists tailored to catastrophic events (emergency plans) and providing contingency plans and strategies for continuing service to each VA medical facility they support. In addition, the OIG assessed whether facilities took advantage of the options and strategies offered in the plans and the extent to which VHA relied on the contracts to obtain PPE during the pandemic.

What the Review Found

The OIG understands that the severity of the pandemic made it challenging for any medical facility, including VA’s, to maintain adequate supplies. While VHA could not have prepared completely for a pandemic of COVID-19’s magnitude, it should have ensured facility managers were aware of, and considered taking advantage of, plans and strategies offered by prime vendors. All four MSPV prime vendors developed contingency plans that included the advance-order list. In addition, three of the four vendors also offered options to purchase and store medical supplies in advance. Taking advantage of the advance-order lists, advance purchasing, storage options, and other options offered by prime vendors, in conjunction with

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1 During this review, the MSPV contracts were expected to go into their fourth iteration. As noted in appendix A, four MSPV-Next Generation (NG) contracts replaced VA’s Legacy MSPV and ran from July 2016 through March 31, 2020. The former was replaced by the MSPV-NG Bridge contracts, which were intended to run through October 31, 2020, and were to be replaced by MSPV 2.0. However, according to an official from VA’s Strategic Acquisition Center, the MSPV 2.0 contracts were under Government Accountability Office protests at the time of this review. The official said VA extended the MSPV-NG Bridge contracts due to the protests. This report uses the term MSPV when referring to the program, the contracts, and the prime vendors regardless of iteration.
VA’s contingency supply options, could help mitigate acute medical and surgical supply shortages during emergencies.

The OIG found Veterans Integrated Service Networks (VISNs) and VA medical facilities generally did not know about or use to any significant extent prime vendor plans and strategies before the pandemic. The MSPV prime vendors fulfilled their contract requirements and offered strategies that included options for VA medical facilities to develop advance-order lists to be fulfilled during emergencies, and options for the advance purchase and storage of medical supplies.

The review team determined through interviews that none of the 16 medical facilities assessed took advantage of an emergency strategy offered by a prime vendor before the pandemic, and most did not even know the plans existed. One VA medical facility did develop an advance-order list but did not activate it because the vendor generally met the facility’s supply needs. However, for PPE items the prime vendor could not provide, the facility purchased the items on the open market. Most of the medical facilities reported maintaining varying levels of their own contingency stocks, but these supplies were at risk of quickly depleting during the pandemic. That risk increased when the prime vendors were unable to fulfill the facilities’ orders, leading medical facility staff to purchase medical supplies on the open market. Although staff did so to minimize supply disruption and meet high demand, VHA’s data showed they incurred higher prices.

Since the facilities did not opt to make advance purchases and store medical and surgical supplies with their prime vendor, it is difficult to determine how much or how long such action would have helped individual facilities during the pandemic. VA, by way of including the requirements in the MSPV contracts, valued the contingency plans. However, the majority of VISN and facility chief logistics officers that the review team interviewed explained they were not aware of the continuous and emergency supply strategies offered by prime vendors and stated the Medical Supplies Program Office, in charge of overseeing the MSPV program, did not make them aware. Similarly, facility contracting officer’s representatives (CORS), responsible for ensuring that prime vendors adhere to the contracts, did not ensure facilities’ chief logistics officers and senior managers were aware of the strategies before the pandemic. Seven VISN chief logistics officers told the review team they might have taken advantage of the strategies if they had been aware of the options. Greater awareness, in turn, might have mitigated some of the strain on prime vendors and reduced the need for open-market supply purchases.

VHA’s ability to obtain PPE under the MSPV contracts declined during the pandemic. VHA data show that VA medical facilities’ MSPV PPE orders decreased and order cancelations increased during the pandemic, reflecting the vendors’ inability to fulfill orders. The OIG also found that

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2 VHA delivers health care through 18 regional networks called VISNs. Each VISN is led by a director responsible for the coordination and oversight of administrative and clinical activities at medical facilities within the network.

3 Appendixes B and C present the review methodology.
for about 38,300 PPE orders, the overall purchase price increased by about $8.3 million from before the pandemic.\(^4\)

By not asking the prime vendors to provide the services established in contingency plans, VA medical facilities potentially missed opportunities for receiving certain needed medical supplies during the pandemic. VA can apply the lessons learned during the pandemic and put itself in the best position for future emergencies by continuing to develop and refine its contract requirements for prime vendors to address catastrophes. Such refinements should consider how those contract requirements can support related plans. Furthermore, VA must effectively educate staff on what strategies the vendors provide and monitor the use and criteria developed for the facilities.

**What the OIG Recommended**

The OIG recommended the under secretary for health direct the Medical Supplies Program Office to provide VISN and VA medical facility chief logistics officers guidance on the emergency and continuous supply strategies offered in prime vendors’ contingency plans, and ensure they understand how the strategies can help mitigate supply shortages during emergencies.

The OIG also recommended that the principal executive director of the Office of Acquisition, Logistics, and Construction direct the Strategic Acquisition Center’s MSPV program contracting officer to provide guidance to medical facilities’ CORs on the intent of the emergency and continuous supply provisions in the MSPV contracts, and ensure CORs inform VISN and facility managers of the strategies.

**Management Comments**

The acting under secretary for health and the principal executive director, Office of Acquisition, Logistics, and Construction, and chief acquisition officer concurred with the recommendations and provided responsive corrective action plans. The OIG will monitor implementation of the planned actions and will close the recommendations when the OIG receives sufficient evidence demonstrating progress in addressing the identified issues. Full text of the comments appears in appendixes D and E.

\[signature\]

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Assistant Inspector General for Audits and Evaluations

\(^4\) For the purposes of this report, the review team defined the period before COVID-19 as October 1, 2019, through February 15, 2020, and during COVID as February 16 through June 30, 2020.
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# Abbreviations

<table>
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<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>COR</td>
<td>contracting officer’s representative</td>
</tr>
<tr>
<td>MSPV</td>
<td>Medical/Surgical Prime Vendor</td>
</tr>
<tr>
<td>NG</td>
<td>Next Generation</td>
</tr>
<tr>
<td>OIG</td>
<td>Office of Inspector General</td>
</tr>
<tr>
<td>Power BI</td>
<td>Power Business Intelligence</td>
</tr>
<tr>
<td>PPE</td>
<td>personal protective equipment</td>
</tr>
<tr>
<td>SCCOP</td>
<td>Supply Chain Common Operating Picture</td>
</tr>
<tr>
<td>VHA</td>
<td>Veterans Health Administration</td>
</tr>
<tr>
<td>VISN</td>
<td>Veterans Integrated Service Network</td>
</tr>
</tbody>
</table>
Introduction

VHA must keep its facilities operational during a catastrophe, and that includes having needed medical and surgical supplies available. To that end, VA has the All-Hazards Emergency Cache Program and its Pandemic Influenza Plan. VA has also included emergency and contingency provisions in the Medical/Surgical Prime Vendor (MSPV) contracts that outline prime vendors’ requirements in support of VA medical facilities’ operations during emergencies. These provisions are separate from the requirement that facilities use the MSPV contracts to procure medical and surgical supplies.5

The VA Office of Inspector General (OIG) conducted this review to determine how well the Veterans Health Administration (VHA) managed vendor compliance with the emergency and continuous supply support provisions of the MSPV contracts before and during the COVID-19 pandemic. Specifically, the OIG sought to determine whether

- VHA ensured the prime vendors provided facilities with contingency continuity of service plans (contingency plans) that offered facilities strategies to provide emergency supply support during major catastrophic events, and
- facilities took advantage of the options and strategies offered in the plans.

The OIG also assessed the extent to which VHA relied on MSPV contracts to obtain personal protective equipment (PPE) during the pandemic.

The MSPV-Next Generation contracts were established in 2016 to improve the delivery of timely health care to veterans, achieve cost savings, and streamline supply chain management. The contracts provide just-in-time distribution of medical, surgical, dental, laboratory, and other supplies used by medical facilities. From October 2019 through June 2020, VA’s supply system showed that VA medical facilities used the contracts to complete more than 1.1 million transactions, purchasing medical or surgical goods and services totaling over $390 million.

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5 Two separate MSPV contracts were in effect during this review: MSPV-Next Generation (NG), July 2016 through March 2020; and MSPV-NG Bridge, April 2020 through March 2021. The MSPV contracts were expected to go into their fourth iteration. As noted in appendix A, MSPV-NG ran through March 31, 2020, and MSPV-NG Bridge was supposed to run through October 31, 2020. According to an official from VA’s Office of Acquisition, Logistics, and Construction, the MSPV 2.0 contracts were awarded as of October 22, 2020. However, the contracts were under Government Accountability Office protests with decisions due on February 5, 2021, and February 8, 2021. A Strategic Acquisition Center official told the review team the performance period for MSPV-NG Bridge contracts ran through March 31, 2021, and that they would be extended for at least three months due to the postaward protests. According to the official, as of March 2021, the contracts were under protest, and the implementation of MSPV 2.0 was scheduled for October 2021. This report uses the term MSPV when referring to the program, the contracts, and the prime vendors regardless of iteration.
Although just-in-time distribution saves VA the expense of storing large inventories, it may not provide the volume of medical and surgical supplies required during emergencies such as COVID-19. Given the worldwide supply shortages during the pandemic, no medical organization, including VA, could have totally mitigated the shortages of PPE medical supplies that occurred. However, this review examines contingency supply options taken by VA medical facilities and other choices offered to them by prime vendors that could have helped mitigate shortages and address resupply needs.

**VA Medical Facility Emergency Preparedness Options**

In preparation for catastrophic events likely in their area, VA medical facilities maintain two types of contingency stock: the All-Hazards Emergency Cache and Pandemic Influenza Contingency Supplies.

**All-Hazards Emergency Cache**

The Department of Veterans Affairs Emergency Preparedness Act of 2002 authorizes VA medical facilities to be prepared to provide emergency healthcare services during major disasters and medical emergencies. Accordingly, VHA’s All-Hazards Emergency Cache Program makes life-saving drugs and limited medical supplies available in response to a catastrophic public health emergency—chemical, biological, radiological, or nuclear events or other public health emergencies, including pandemics. Selected VA medical facilities must maintain and may activate emergency caches to provide pharmaceuticals and medical supplies to veterans, staff, and civilian casualties and the VA staff treating them during the initial 48 hours of a major catastrophic emergency.

**Pandemic Influenza Contingency Supplies**

VA’s Pandemic Influenza Plan requires VA to prepare for a worldwide epidemic—one that occurs when a new or novel influenza strain emerges for which humans have little or no immunity. The plan requires VA medical facilities to develop strategies to ensure that adequate supplies of PPE and hand hygiene products are available. The plan elaborates on “adequate,” suggesting supplies may be needed from six to eight weeks in affected communities and that multiple waves of epidemics may occur across the country, lasting many months altogether. The plan further states that VA will provide PPE for facility staff and should consider stockpiling four weeks’ worth of the consumable supplies shown in table 1.

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8 VA, Pandemic Influenza Plan, March 2006. According to the Centers for Disease Control and Prevention, “Influenza (flu) and COVID-19 are both contagious respiratory illnesses, but they are caused by different viruses. COVID-19 seems to spread more easily than the flu and causes more serious illnesses in some people.”
Table 1. Supplies Recommended in the Pandemic Influenza Plan

<table>
<thead>
<tr>
<th>Consumable supplies</th>
<th>Respiratory care equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central line kits</td>
<td>• endotracheal tubes, various sizes</td>
</tr>
<tr>
<td>Disposable fit-testable N95 respirators</td>
<td>• oxygen and ventilator tubing, cannulae, masks</td>
</tr>
<tr>
<td>Elastomeric respirators with P100 filters</td>
<td>• portable oxygen</td>
</tr>
<tr>
<td>Facial tissues</td>
<td>• regulators and flow meters</td>
</tr>
<tr>
<td>Gloves</td>
<td>• suction kits</td>
</tr>
<tr>
<td>Goggles</td>
<td>• tracheotomy tubes</td>
</tr>
<tr>
<td>Gowns</td>
<td>• vacuum gauges for suction and portable suction machines</td>
</tr>
<tr>
<td>Hand hygiene supplies</td>
<td></td>
</tr>
<tr>
<td>Intensive care unit monitoring equipment</td>
<td>Surgical and procedure-type masks</td>
</tr>
<tr>
<td>IV equipment and solutions</td>
<td>Syringes and needles for vaccine administration</td>
</tr>
<tr>
<td>Morgue packs</td>
<td></td>
</tr>
</tbody>
</table>

*Source: VA Pandemic Influenza Plan, March 2006.*

VHA’s Supply Chain Inventory Management directive states that the VA Pandemic Influenza Plan permits VA medical facilities to maintain medical supplies for future use in case of a pandemic influenza outbreak, disaster, or emergency. Unlike the limited supplies in the All-Hazards Emergency Cache, these supplies are owned, maintained, and controlled by VA medical facilities with no restriction on quantities or access. Although the influenza plan recommends stockpiling a four-week supply of the consumable supplies, the directive that employees relied on did not include the quantities of supplies that facilities should maintain and does not address backfilling the contingency supplies. The plan requires VA medical facilities to take steps including evaluating existing contracts for equipment and supplies and updating contracts to enable rapid supply purchases if needed.

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9 VHA Directive 1761(2), *Supply Chain Inventory Management*, October 26, 2018. The directive states that these supplies will be cataloged in the Generic Inventory Package system under the name ##Contingency to differentiate them from normal, recurring-use stock. The guidance makes no mention of the types and quantities of supplies facilities should maintain, or who is officially authorized to activate the supplies and under what circumstances. The OIG concludes that while VA’s Pandemic Influenza Plan states that VA medical facilities should consider stockpiling these contingency supplies, participation was not required. Thus, facilities had discretion as to whether to maintain the contingency supplies. Table 1 provides a list of the contingency supplies suggested in VA’s Pandemic Influenza Plan.
Medical/Surgical Prime Vendor Program Emergency and Continuous Supply Options

Prime vendors are required by contract to develop contingency plans that support VA medical facility supply needs during catastrophes and emergencies, such as COVID-19. The contracts require vendors to offer VA medical facilities a no-cost option to develop supply lists tailored to catastrophic events likely to occur in their area, including fires, mass contamination events, epidemics, earthquakes, tornadoes, and typhoons. The contracts also require the prime vendors to provide contingency plans for continuing service to each VA medical facility they support. The contract requirements appear in table 2.

Table 2. Provisions in MSPV Contracts Regarding Supply Support during Emergencies and Catastrophes

<table>
<thead>
<tr>
<th>Contract tasks</th>
<th>Requirements</th>
<th>Administrative details</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.21 Emergency supply support</td>
<td>Emergency supply support strategies</td>
<td>Lists are</td>
</tr>
<tr>
<td></td>
<td>One example is for vendors to provide VA medical facilities advance supply order lists at no cost, tailored to catastrophic events likely in the area—fire, mass contamination, epidemic, earthquake, tornadoes, typhoons, etc.; lists are limited to supplies normally carried by the prime vendor.</td>
<td>• retained by prime vendors and medical facilities, and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• updated with the facility annually.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Listed items are to be delivered within 24 to 48 hours.</td>
</tr>
<tr>
<td>11.22 Continuous supply support during catastrophes</td>
<td>Contingency continuity of service plans</td>
<td>Plans are</td>
</tr>
<tr>
<td></td>
<td>• are prepared by prime vendors for each supported medical facility and geographical area, and</td>
<td>• required by contract to be formally agreed on by prime vendors and VA medical facilities’ staff to ensure adequate coverage of VHA facilities across MSPV support areas; and</td>
</tr>
<tr>
<td></td>
<td>• contain options and strategies to help medical facilities mitigate supply shortages during catastrophic events.</td>
<td>• meant to be updated, reviewed, and accepted by the prime vendor and the medical facility annually.</td>
</tr>
</tbody>
</table>

Source: MSPV-NG and MSPV-NG Bridge contracts.

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10 VA’s 2006 Pandemic Influenza Plan defines pandemic influenza as the occurrence of a worldwide epidemic of a new or novel influenza strain that rapidly spreads and has severe consequences of illness, death, and societal disruption.
Results and Recommendations

Finding: VA Medical Facilities Did Not Use Options Offered under the MSPV Contracts before the Pandemic

All four MSPV prime vendors developed contingency plans that included the advance-order list, and three of the four prime vendors’ contingency plans also included strategies that offered advance purchasing and stockpiling of emergency supplies.\(^{11}\) Before the COVID-19 pandemic, VA medical facilities could have opted for advance-order lists or advance purchasing and stockpiling options offered by prime vendors to supplement other VA contingency supply options, such as the All-Hazards Emergency Cache and Pandemic Influenza Contingency Supplies, to help mitigate acute medical and surgical supply shortages during emergencies.

The OIG review found that most of the medical facilities assessed maintained varying levels of their own contingency stock. The review team found that neither facility contracting officer’s representatives (CORs), responsible for ensuring that prime vendors adhere to the contracts, nor Veterans Integrated Service Network (VISN) officials ensured the VISN and facilities’ chief logistics officers and senior managers were aware of the contract requirements before the pandemic.\(^{12}\) Based on VHA’s reporting, VA facilities’ ability to obtain PPE under the MSPV contracts ultimately declined during the pandemic, and facilities paid a premium for the supplies they were able to obtain. While VHA could not have prepared completely for a pandemic of COVID-19’s magnitude, it should ensure facility managers are aware of plans and strategies offered by prime vendors.

What the OIG Did

The OIG team focused its review on a judgmental sample of 16 VA medical facilities, selected based on the highest number of confirmed COVID-19 cases at VA facilities as of May 28, 2020, as well as on VA OIG hotline complaints related to PPE shortages at VA medical facilities from February 1 through May 28, 2020.

The review team also obtained and reviewed each prime vendor’s contingency plans. The team members interviewed responsible VISN and facility staff to understand whether they used the

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\(^{11}\) The four prime vendors were American Purchasing Services LLC/American Medical Depot, Cardinal Health 200 LLC, Concordance Healthcare Solutions LLC, and Medline Industries Inc. The vendors’ emergency and disaster recovery plans had varying naming conventions. For the purposes of this report, all are referred to as contingency plans.

\(^{12}\) According to a Strategic Acquisition Center acting director, only five of the 16 sampled facilities had assigned contracting officers’ representatives under the MSPV-NG Bridge contracts. While this may have contributed to the lack of awareness at the facility level, the OIG did not make a recommendation because a similar recommendation was made in the VA OIG’s *Audit of VHA’s Inadequate Oversight of the Medical/Surgical Prime Vendor Program’s Distribution Fee Invoicing*, Report No. 19-06147-50, March 4, 2021.
prime vendor contingency plans and took advantage of emergency strategies to mitigate acute medical supply shortages. The team also interviewed program officials from VA’s Strategic Acquisition Center and VHA’s Medical Supplies Program Office, and representatives from the four prime vendors responsible for supporting the sampled facilities. Finally, the review team evaluated purchase orders initiated from October 1, 2019, through June 30, 2020, to assess the effect of COVID-19 on VA medical facilities’ ability to obtain PPE under the MSPV contracts. Details on the review scope and methodology and the sampling methodology appear in appendixes B and C.

**VISNs and VA Medical Facilities Could Have Used Prime Vendor Strategies before the Pandemic**

The severity of the COVID-19 pandemic made it challenging for any medical facilities, including VA’s, to maintain adequate supplies. The OIG understands that VHA could not have completely prepared for a pandemic such as COVID-19. To help prepare for emergencies such as epidemics, the MSPV contracts required the vendors to provide VA medical facilities contingency plans with emergency supply support strategies, including the option for medical facilities to prepare an advance-order emergency supply list.

The review team determined that although the prime vendors developed the required contingency plans with emergency supply support strategies, the majority of chief logistics officers and CORs interviewed did not receive vendor plans or know about, review, or evaluate the strategies. Although none of 16 sampled medical facilities took advantage of the prime vendors strategies, staff at one of the facilities reported developing an advance-order list, which was one of the prime vendor strategies offered. Staff at this facility said they provided the prime vendor a list of emergency items “a couple of years” before COVID-19 but did not need to activate the list because the vendor generally met their supply demands during the pandemic. However, for PPE items the prime vendor could not provide, the facility purchased the items on the open market.

A Strategic Acquisition Center director reported that two more of VA’s 170 VA medical facilities took advantage of the emergency supply support offered. A chief logistics officer from one of the facilities said that before the pandemic, supplies were stored with the prime vendor because the facility lacked suitable climate and facility space. Since that time, facility personnel...

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13 “Staff” refers to both VISN and facility chief logistics officers and contracting officer’s representatives.

14 VHA’s Medical Supply Program Office is responsible for the oversight of the MSPV program, and VA’s Strategic Acquisition Center provides contracting and program support for MSPV through a contracting officer who designates MSPV contracting officer’s representatives, monitors purchase data from prime vendors, and authorizes MSPV ordering officers.

15 “Pre-prepared” order list as used in the MSPV contracts is synonymous with advance-order list.

16 VHA delivers health care through 18 regional networks called VISNs. Each VISN is led by a director who is responsible for the coordination and oversight of administrative and healthcare activities at medical facilities within the network.
have consolidated space in one of their warehouses and moved the supplies back. Another chief logistics officer from a separate facility told the review team the facility was coordinating with the prime vendor about emergency and contingency planning, but the discussions halted because of the hurricane season and an earthquake.

The other chief logistics officers and CORs generally attempted to meet the requirements in VHA’s Supply Chain Inventory Management directive by maintaining their own contingency supplies. VA’s Pandemic Influenza Plan suggests VA medical facilities consider stockpiling a four-week supply of the consumable supplies. VHA’s directive states that these supplies should be cataloged in the Generic Inventory Package system under the name ##Contingency to differentiate them from normal, recurring-use stock.\(^{17}\) Although the directive makes no mention of the type and quantities of supplies to maintain, facility officials from 12 of 16 medical facilities reviewed told the review team that before the COVID-19 pandemic they maintained varying levels of contingency medical supply stock on hand, as shown in table 3.\(^{18}\)

**Table 3. Days of Pandemic Contingency Supplies Maintained by VA Facilities**

<table>
<thead>
<tr>
<th>VA facility and location</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlanta VA Health Care System Decatur, GA</td>
<td>Few*</td>
<td>Unknown</td>
</tr>
<tr>
<td>Dallas VA Medical Center Dallas, TX</td>
<td>40 kits**</td>
<td>Unknown</td>
</tr>
<tr>
<td>John D. Dingell VA Medical Center Detroit, MI</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td>East Orange Campus of the VA New Jersey Health Care System East Orange, NJ</td>
<td>30</td>
<td>45</td>
</tr>
<tr>
<td>VA Southern Nevada Healthcare System Las Vegas, NV</td>
<td>Unknown</td>
<td>60</td>
</tr>
<tr>
<td>VA Greater Los Angeles Healthcare System Los Angeles, CA</td>
<td>30</td>
<td>Unknown</td>
</tr>
<tr>
<td>Minneapolis VA Health Care System Minneapolis, MN</td>
<td>60</td>
<td>Unknown</td>
</tr>
<tr>
<td>Southeast Louisiana Veterans Health Care System New Orleans, LA</td>
<td>15</td>
<td>Unknown</td>
</tr>
</tbody>
</table>

\(^{17}\) VHA Directive 1761(2). Facilities are permitted to establish contingency supplies; however, based on the directive’s language, the OIG concluded participation was at the facilities’ discretion: they decided whether or not to maintain the contingency supplies. Further, the guidance makes no mention of the types and quantities of supplies facilities should maintain, or who is officially authorized to activate the supplies and under what circumstances.

\(^{18}\) Of the remaining four facilities, two did not maintain pandemic contingency supplies, according to the responding facility officials, and two facilities and VHA did not respond to the review team’s direct request for the information. Table 1 provides a general description of suggested supplies to be maintained by VA facilities.
VA facility and location | Minimum | Maximum |
--- | --- | ---
Manhattan Campus of the VA NY Harbor Healthcare System New York, NY | 15 | 30 |
VA Caribbean Healthcare System San Juan, PR | 30 | Unknown |
Mann-Grandstaff VA Medical Center Spokane, WA | Unknown | Unknown |
VA St. Louis Health Care System St Louis, MO | 15 | Unknown |

Source: VA OIG interviews of employees of sampled VA medical facilities.

* Facility staff could not quantify days of stock on hand maintained before the pandemic.
** Facility staff reported they maintained Serious Incident Threat Response Kits deployed around the hospital that contained PPE items (gloves, masks, suits, gowns, etc.).

While the facility staff reported maintaining various levels of contingency stock on hand, even the larger quantities were at risk of quickly depleting during the COVID-19 pandemic. VISN staff also shifted supplies among VISNs during the pandemic. The risk heightened when the prime vendors were unable to fulfill the facilities’ supply orders. Staff from the 16 medical facilities assessed indicated that, because of stock limitations through normal resupply channels, they resorted to increased purchasing of critical medical supplies on the open market and other sources.

**Prime Vendors Offered to Warehouse VA Medical Facilities’ Emergency and Contingency Supplies**

All four prime vendors had contingency plans that offered facilities options for emergency and contingency supplies, such as advance-order lists. In addition, three of the four vendors also offered options for the advance purchasing and storing of medical supplies. Interviews with the four prime vendors and requests for their contingency plans revealed that three vendors offered the strategies at the beginning of the MSPV-NG contracts on or around February 2016, and the fourth vendor provided strategies in June 2017. Therefore, medical facilities had the opportunity to opt into the strategies before the pandemic. Seven VISN chief logistics officers told the review team that to be better prepared to meet the VISNs’ needs, they would consider taking advantage of the prime vendors’ advance-order list, and the advance purchasing and storing strategies highlighted in the following vendor options.

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19 The vendors offered facilities the option of prepurchasing (advance purchasing) supplies; however, it is not a requirement under the contracts.
American Purchasing Services LLC/American Medical Depot Emergency Supply Strategies

American Medical Depot’s emergency strategies are included in its Emergency Disaster Plan, updated in August 2019, which outlined strategies to provide emergency supply support to VA medical facilities. Its plan states the company has the ability to “set aside” critical items designated by the facilities and will work with the facilities’ logistics management staff to identify those supplies. American Medical Depot offers facilities these options:

<table>
<thead>
<tr>
<th>Action</th>
<th>Details/Features</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stockpile emergency inventory purchased in advance</td>
<td>• Items chosen by facility&lt;br&gt;• Sequestered and available within hours of request&lt;br&gt;• Integrity of products assessed by vendor&lt;br&gt;• Emergency orders prepared in advance, entered in the prime vendor’s system, processed via phone call, and delivered in most cases, weather and law advisory permitting, within two hours</td>
</tr>
<tr>
<td>Prepare advance-order lists for responding to a particular disaster</td>
<td>• Tailored to potential catastrophic events likely to occur in their area (e.g., fires, mass contaminations, epidemics, earthquakes, tornadoes, and typhoons)&lt;br&gt;• Housed at backup locations and easily distributed once authorities clear the roads&lt;br&gt;• Fee-based, vendor-managed inventory that is continuously available</td>
</tr>
</tbody>
</table>

Figure 1. American Medical Depot’s emergency strategies.<br>Source: American Purchasing Services LLC/American Medical Depot August 2019 Emergency Disaster Plan.

Cardinal Health 200 LLC Emergency Supply Strategies

Cardinal’s emergency strategies are included in its Emergency Disaster Recovery plans, established annually for its seven distribution facilities in Arizona, California, Colorado, Hawaii, Utah, and Washington. According to the contract manager, Cardinal developed the emergency supply strategies and contingency support plans to address a situation in which a major crisis has affected a particular location or region, and to describe the steps that Cardinal Health would take to reallocate resources to meet the priority supply needs of the affected region. Advance

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20 The MSPV-NG Bridge contract with this prime vendor was terminated for cause effective August 1, 2020.
purchasing was not offered by this vendor, but Cardinal was open to discussing the option with VA.\textsuperscript{21} Below are some of the strategies offered.

| Cardinal Health |
|-----------------|-------------------------------------------------|
| **Action**      | **Details/Features**                            |
| Keep emergency relief supply orders on file, along with emergency inventory | • Supplies distributed from the service center closest to the affected area  
• Support and supplies contributed from other facilities as needed, including the entire Cardinal network if needed to satisfy requirements in a mass-casualty event  
• Items specified and approved in advance by facility  
• Items shipped when customer gives the go-ahead  
• Customer’s top 100 usage items (for the most recent three-month period) or facility’s previous day’s orders plus the Par Level List of disaster recovery products  
• Emergency order quantities or the designated number of days’ supplies needed, as determined by customer  
• Order-date pricing  
• Packing and shipping on facility’s go-ahead or in the event contact cannot be made within six hours of the disaster |
| Maintain critical items lists | |

\textit{Figure 2.} Cardinal Health’s emergency strategies.  
Source: Cardinal Health Chandler, Arizona, 2019 Customer Disaster Relief Plan and Salt Lake City, Utah, 2019 Disaster Plan for Acquisition of Medical/Surgical Supplies.

**Concordance Healthcare Solutions LLC Emergency Supply Strategies**

Concordance’s emergency strategies are included in its Disaster and Emergency Contingency Plan provided in response to the contract solicitation. An official noted that the contingency plan could be customized on request for each of the 57 VA medical facilities Concordance Healthcare Solutions serves, as it is a “global plan to support VA’s and other customers.” A flyer attached to the plan states that “maintaining inventory supply is a critical step in preparing for an emergency.

\textsuperscript{21} One Cardinal official stated that while the contract does not call for the storage of prepurchased (advance-ordered) supplies, the vendor was open to discussing the option with VA and providing pricing for this additional service.
With surges in demand and limited medical supply storage, the Concordance StrategicStorage™ program is the answer.” Concordance’s plan offers the following options for facilities.

<table>
<thead>
<tr>
<th>Action</th>
<th>Details/Features</th>
</tr>
</thead>
<tbody>
<tr>
<td>Keep a stockpile (“Push-Pack” option)</td>
<td>• Packaged materials for provider protection and patient care maintained in inventory</td>
</tr>
</tbody>
</table>
| Do extended manufacturer back-ordering (order lists) | • Customer utilization data and past purchases used to determine allocation of inventory  
  • Substitute items recommended |
| Allow use of the 3PL StrategicStorage™ program | • Materials received, stored, and secured in a living stockpile to ensure product rotation and availability |

*Figure 3. Concordance’s emergency strategies.*
*Source: Concordance Healthcare Solutions, Emergency Strategy documents; Store Your Product Safely and Confidentially with StrategicStorage™ and Customer Readiness Program for Government/VA Customers: Disaster and Emergency Contingency Plan and Contact List.*

**Medline Industries Inc. Emergency Supply Strategies**

Medline’s Disaster Preparedness and Response Plan was developed to help provide sustained availability of critical medical and surgical supplies to meet customers’ needs in time of crisis. The plan contains essential information relating to Medline’s readiness, capabilities, and service parameters in the event or anticipation of a disaster including a pandemic. At the customer’s request, Medline offers the following actions.

<table>
<thead>
<tr>
<th>Action</th>
<th>Details/Features</th>
</tr>
</thead>
</table>
| Create a custom continuity plan to avoid interrupting operations | • Names backup distribution centers  
  • Provides for change in allocation to accommodate increased demand |
| Stockpile emergency inventory                | • Medical and surgical items of client’s choosing  
  • No additional expense of self-storage |

*Figure 3. Medline’s emergency strategies.*
**Medline**

<table>
<thead>
<tr>
<th>Action</th>
<th>Details/Features</th>
</tr>
</thead>
</table>
| Offer resupply options  | · Advance-order lists for responding to a particular disaster  
                        | · Supply trailer deployed at facility\(^{22}\)       |

*Figure 4. Medline’s emergency strategies.*  

**The Medical Supplies Program Office Did Not Effectively Communicate Contract Provisions to Facilities**

The review team determined that the Medical Supplies Program Office staff responsible for the oversight of the MSPV program did not effectively communicate guidance to VISNs and VA medical facility staff concerning the intent of the emergency requirements outlined in the MSPV contracts. According to VHA’s MSPV program control plan, the program director performs key functions to ensure effective communication and coordination of the MSPV program with stakeholders throughout VA. These functions include overseeing and working with the Program Controls Division to manage overall program delivery, providing direction to divisions to ensure key milestones are achieved, and working with division teams to identify opportunities for process improvement to increase program efficiency and maximize resources.

To ensure the success of the MSPV program, VHA’s Medical Supplies Program Office director should provide VA medical facility staff national guidance to ensure users understand the intent of all contract emergency and contingency supply support requirements. However, none of the staff interviewed from the 16 facilities reported that guidance was provided by VHA.\(^{23}\) The acting Medical Supplies Program Office director could not furnish documentation showing that he provided contract requirements guidance to VISNs and VA medical facilities. The OIG concluded that the acting director and those previously in the director role did not effectively communicate this understanding of the contract requirements through guidance to VA MSPV stakeholders.

The OIG’s first recommendation addresses the need for the Medical Supplies Program Office to provide VISN and VA medical facility chief logistics officers guidance on how to use the emergency and continuous supply strategies offered in prime vendors’ contingency plans to help

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\(^{22}\) According to one Medline official, advance-order items include the option to stockpile, maintain, and rotate expiring supplies at an additional cost.

\(^{23}\) Facility staff interviewed included chief logistics officers and contracting officer’s representatives.
mitigate acute emergency and continuous supply shortages during the pandemic and future emergencies.

**Contracting Officer’s Representatives Did Not Explain Contract Provisions**

Contingency and emergency support provisions have been in the MSPV contracts since 2016; however, as noted above, VISN and facility CORs did not ensure the chief logistics officers and management were aware of the strategies offered before the pandemic. The CORs, delegated by VA’s Strategic Acquisition Center contracting officers to monitor the prime vendors’ MSPV performance, had a responsibility to advise VISNs and VA medical facility logistics managers of the MSPV emergency strategies and contingency plans so that facilities could better prepare for emergencies. Yet staff from all 16 facilities reported having to obtain PPE supplies on the open market or from other non-MSPV sources during the COVID-19 pandemic because they could not get the needed supplies from their prime vendors.

Recommendation 2 calls for the Strategic Acquisition Center’s MSPV program contracting officer to provide guidance to VISNs and VA medical facilities’ program contracting officer’s representatives on the emergency and continuous supply provisions in the contracts, and ensure CORs inform VISN and facility managers of the strategies.

**VHA’s Ability to Obtain PPE under the MSPV Contracts Declined during the Pandemic, and Facilities Paid More for Supplies**

VHA’s ability to obtain PPE under the MSPV contracts declined as vendors acknowledged the shortages during the pandemic, and facilities paid more for supplies after not using the supply support strategies. VHA data show that VA medical facilities’ MSPV PPE orders decreased and order cancelations (by the vendor) increased by about 80 percent because prime vendors were unable to fill orders during this period of increased demand.

The OIG also found that facilities paid more for some medical and surgical items by purchasing them on the open market. The team’s review of about 137,000 PPE orders placed between October 1, 2019, and June 30, 2020, revealed that the prices changed for about 38,300 items purchased during COVID-19 compared with before the pandemic, resulting in a net price increase of about $8.3 million for the items.24 This amount is based on the cost of the supplies

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24 The review team used medical and surgical PPE items reported in VHA’s Power BI for October 1, 2019, through June 30, 2020. Appendix C, table C.3, provides more information.
only, and does not account for any potential storage costs prime vendors might have charged medical facilities for stockpiling these medical and surgical items.\textsuperscript{25}

Because the facilities the team reviewed did not opt to make advance purchases and store medical and surgical supplies with their prime vendor, it is difficult to determine how much or how long such action would have helped individual facilities. VA, by including the requirements in the MSPV contracts, valued the contingency plans. However, VA medical facilities largely did not use the prime vendors’ plans that were available before the pandemic to potentially help improve a difficult situation. Instead VA medical facilities had to scramble to purchase items typically supplied through the MSPV contracts. According to facility staff, this resulted in price increases, elevated risk for supply shortages, the propensity for fraud, and increased workloads. VA medical facilities were more susceptible to rationing from prime vendors as a result of the strain on the nationwide supply system.

The fraud risk increased with VA medical facilities’ and VISNs’ use of government purchase cards to buy medical and surgical supplies, as the cards’ sponsors increased card limits from $10,000 to $20,000 and expanded the range of vendors VA could buy from. An example of vendor-related fraud identified before this review is highlighted in a December 2019 case, when 15 VA employees at two VA medical facilities were charged for their involvement in kickback and bribery schemes using government credit cards to order medical supplies through corrupt vendors.\textsuperscript{26}

Furthermore, facility and VISN staff workload increased. Employees told the review team they had to spend extra hours to identify and research alternate supply sources, examine the quality of products being offered by previously unknown suppliers, and compete with other VA facilities, VISNs, and VA nationally to acquire supplies.

To incorporate the lessons from the COVID-19 pandemic and put itself in the best position for future emergencies, VA should continue to develop and refine its contract requirements for prime vendors to address catastrophes. Among the refinements, VA should consider how the contract requirements can support the required Pandemic Influenza Plan. Furthermore, VA must effectively educate staff on what strategies the vendors provide and monitor their use by the facilities.

**Conclusion**

Although prime vendors offered VA medical facilities strategic supply options before the pandemic, VA medical facilities were generally unaware of and largely did not take advantage of

\textsuperscript{25} Although vendors offered the option for the prepurchase and stockpiling of emergency supplies, the contracts did not include this option or specify potential storage costs.

\textsuperscript{26} United States Attorney’s Office, Southern District of Florida, “Fifteen Individuals Charged for Roles in Fraud and Bribery at Two South Florida VA Hospitals,” press release, December 11, 2019.
the options. Not taking advantage of options such as advance purchasing and storage and other strategies offered meant facilities relied less on the contracts to obtain PPE during the pandemic and spent more money procuring items from alternate suppliers. While VA could not have prepared completely for a pandemic of COVID-19’s magnitude, it should take advantage of the experiences and lessons learned during the pandemic and ensure facility managers are aware of and consider the strategies offered by prime vendors to help mitigate acute medical and surgical supply shortages and better position VA for future emergencies.

**Recommendations 1–2**

The OIG directed the following recommendation to the under secretary for health:

1. Direct the Medical Supplies Program Office to provide Veterans Integrated Service Network and VA medical facility chief logistics officers guidance on how to use and monitor the emergency and continuous supply strategies offered in prime vendors’ contingency plans to help mitigate acute emergency and continuous supply shortages during the current pandemic and future emergencies.

The OIG directed the following recommendation to the principal executive director, Office of Acquisition, Logistics, and Construction:

2. Direct the Strategic Acquisition Center’s Medical/Surgical Prime Vendor Program contracting officer to provide guidance to Veterans Integrated Service Network and VA medical facilities’ program contracting officer’s representatives on the emergency and continuous supply provisions in the contracts, and ensure contracting officers’ representatives inform network and facility managers of the strategies offered by the prime vendors.

**Management Comments**

The acting under secretary for health, Office of the Under Secretary for Health, concurred with recommendation 1, and the principal executive director, Office of Acquisition, Logistics, and Construction, and chief acquisition officer concurred with recommendation 2. Management comments appear in appendixes D and E.

To address recommendation 1, the acting under secretary for health stated that the Medical Supplies Program Office will develop and distribute guidance relevant to using and monitoring the emergency and continuous supply strategies to VISN chief logistics officers and facility chief supply chain officers. Further, the Medical Supplies Program Office will share guidance with MSPV contracting officer’s representatives on how to monitor their medical facility’s use and prime vendor fulfillment of the strategies.

To address recommendation 2, the principal executive director reported that the contracting officers will ensure CORs receive appointment letters that clearly state their duties and
responsibilities and will provide guidance to VISN and facility managers regarding the emergency and continuous supply provisions under the MSPV distribution contracts.

**OIG Response**

The corrective action plans provided are responsive to the recommendations. The OIG will monitor implementation of the planned actions and will close the recommendations when the OIG receives sufficient evidence demonstrating progress in addressing the intent of the recommendations and the issues identified.
Appendix A: Background

VHA’s Medical/Surgical Prime Vendor Program

The MSPV program is part of VHA’s partnership with the Office of Acquisition and Logistics to streamline procedures for ordering medical supplies and the larger VA Supply Chain Transformation initiative to improve systems and processes while simplifying operations. The MSPV program, managed by VHA’s Medical Supplies Program Office (formerly the Program Management Office), is mandatory and designed to provide an efficient and cost-effective method for ordering and distributing medical, surgical, dental, and select prosthetic and lab supplies.

Two sets of MSPV contracts were in effect during the scope of this review: the MSPV-NG and MSPV-NG Bridge.

Medical/Surgical Prime Vendor-Next Generation Contracts

On February 24, 2016, VA’s Strategic Acquisition Center awarded four prime vendors MSPV-NG indefinite-delivery, indefinite-quantity contracts with a reported aggregate ceiling of $7.7 billion. Primarily, contractors, known as prime vendors, provide just-in-time distribution of medical, surgical, dental, and laboratory supplies. The contracts ran from 2016 through 2021 and included a base period and two option periods. The awardees—American Medical Depot, Cardinal Health 200 LLC, Kreisers Inc., and Medline Industries Inc.—were required to maintain and distribute medical, surgical, dental, and laboratory supplies to facilities in their geographical areas, as listed in table A.1.
### Table A.1. MSPV-NG Prime Vendor Coverage

<table>
<thead>
<tr>
<th>Medical/Surgical Prime Vendor (Next Generation)</th>
<th>Geographic area</th>
<th>States</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Purchasing Services Inc. (doing business as American Medical Depot) MSPV-NG (VA119-16-D-0004)</td>
<td>1</td>
<td>MA, CT, NH, RI, ME, and VT</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>NY</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>NY and NJ</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>PA, DE, and WV</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>MD, VA, NC, and DC</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>FL</td>
<td>2</td>
</tr>
<tr>
<td>Cardinal Health 200 LLC MSPV-NG (VA119-16-D-0005)</td>
<td>16</td>
<td>CO and UT</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>17</td>
<td>NM and AZ</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>18</td>
<td>CA, OR, ID, NV, and WA</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>19</td>
<td>HI, AK, and Guam</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>21</td>
<td>Puerto Rico</td>
<td>2</td>
</tr>
<tr>
<td>Kreisers, Inc. MSPV-NG (VA119-16-D-0002)</td>
<td>8</td>
<td>KY and TN</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>9</td>
<td>OH and IN</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>10</td>
<td>IL, WI, MN, and MI</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>MO and IA</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>12</td>
<td>KS and NE</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>13</td>
<td>ND, SD, MT, and WY</td>
<td>3 and 4</td>
</tr>
<tr>
<td>Medline Industries, Inc. MSPV-NG (VA119-16-D-0006)</td>
<td>6</td>
<td>AL, GA, and SC</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>14</td>
<td>AR, LA, and MS</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>15</td>
<td>TX and OK</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: Medical/Surgical Prime Vendor-Next Generation Program - Office of Procurement, Acquisition and Logistics website.

Medical and surgical supplies were already being sold under various Federal Supply Schedules; VA national and local contracts, blanket purchase agreements, and basic ordering agreements; and other miscellaneous government contracts. Under MSPV, they are aggregated into a comprehensive formulary for the field to order from.
Medical/Surgical Prime Vendor-Next Generation Bridge Contracts

On April 1, 2020, VHA made the transition from the MSPV-NG contracts to the MSPV-NG Bridge contracts. Based on VA’s eCOR data, the new contracts, with an aggregate value of $830 million, continued the existing services and coverage for the majority of medical and surgical commodities that VA facilities used. The Medical Supplies Program Office collaborated with VA’s Operations and Planning and VA’s Financial Services Center to develop a facility utilization metric, Supply Chain Common Operating Picture, that captures facility MSPV spending. Like its predecessor, the MSPV-NG Bridge is a collection of contracts that enable VA to streamline supply chain management of medical, surgical, dental, lab, and environmental medical supplies. The contracts aim to achieve long-term savings for VA by combining just-in-time logistics with strategic sourcing and volume buying for medical and surgical supply needs. Use of the contracts generally remains mandatory for all VA medical facilities. VHA later reduced the number of prime vendors from four to three: Cardinal, Concordance, and Medline. The three divided the American Medical Depot service areas as shown in table A.2.

Table A.2. MSPV-NG Bridge Prime Vendor Coverage

<table>
<thead>
<tr>
<th>Previous prime vendor</th>
<th>Prime vendor</th>
<th>Geographic areas</th>
<th>States</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Purchasing Services Inc. (doing business as American Medical Depot) MSPV-NG Bridge (36C10G20D0027)</td>
<td>Cardinal Health 200 LLC MSPV-NG Bridge (36C10G20D0025)</td>
<td>1</td>
<td>MA, CT, NH, RI, ME, and VT</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
<td>NY (Western)</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3</td>
<td>NY (Eastern), NJ</td>
<td>1</td>
</tr>
<tr>
<td>Concordance Healthcare Solutions LLC MSPV-NG Bridge (36C10G20D0028)</td>
<td></td>
<td>4</td>
<td>PA, DE, and WV</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5</td>
<td>MD, VA, NC, and DC</td>
<td>1</td>
</tr>
</tbody>
</table>

27 During this review, the MSPV contracts were expected to go into their fourth iteration. The four MSPV-NG contracts replaced VA’s Legacy MSPV and ran through March 31, 2020. The former was replaced by the MSPV-NG Bridge contracts, which according to a VA press release were intended to run through October 31, 2020, and were to be replaced by MSPV 2.0. However, according to an official from VA’s Strategic Acquisition Center, the MSPV 2.0 contracts were under Government Accountability Office protests at the time of this review. VA planned to extend the MSPV-NG Bridge contracts due to the protests.

28 Concordance Healthcare Solutions resulted from the 2016 merger of a previous prime vendor, Kreisers Inc., with MMS-A Medical Supply Company and Seneca Medical Inc.
The contracts require prime vendors to provide emergency and continuous supply support to VA medical facilities during catastrophes, as spelled out in the following MSPV-NG and MSPV-NG Bridge contract provisions:

- **Emergency supply support.** [VA medical centers] and other select Federal facilities are designated Federal Emergency Medical Facilities with significant contingency and emergency response roles. Accordingly, the MSPV shall offer strategies to provide emergency supply support during major catastrophic events. These strategies shall include offering Federal Emergency Medical Facilities, at no cost, the option to pre-prepare order lists tailored to potential catastrophic events likely to occur in their area (fire, mass contamination, epidemic, earthquake, tornadoes, typhoons, etc.). Medical/surgical supplies on these order lists shall be limited to supplies normally carried by the MSPV. Copies of these order lists will be retained by the MSPV and updated with the facility annually. Because of the emergency nature of these orders acceptable performance will be full delivery to the facility of the required quantities of 90% or more of the line-medical/surgical supplies on the order within 24 hours of callout by the facility or their geographical area(s) as designated by the CLIN(s), with 99% or more of all remaining line-medical/surgical supplies on the order delivered within the next 24 hour period (the fee for calling out these pre-prepared orders shall be fixed in accordance with contract negotiations). This performance requirement applies whether a single facility or multiple facilities are impacted by the catastrophe.

- **Continuous supply support during catastrophes.** The MSPV shall maintain support for all Federal Medical Centers in a broad geographic area during catastrophes by being able to swing their distribution system or capabilities to draw support from outside the geographic area. Historic examples demonstrating this need include Hurricanes Andrew, Katrina and Sandy and the Northridge and San Francisco Bay area earthquakes. The MSPV shall create and provide contingency continuity of service plans for each supported facility and geographical area as designated by CLIN(s). If a national MSPV provider is chosen they will be required to submit a national continuity of service plan to the VHA P&LO. If more than one MSPV provider is chosen, then they will be required to collaborate, create and submit one national contingency continuity plan to VHA P&LO. This plan shall specifically address...
de-conflicting orders for supplies and formal cooperation agreements to ensure adequate support to VHA facilities across MSPV support areas. All plans shall be jointly updated, reviewed and accepted by the MSPV and supported VHA entity annually. The VHA P&LO will be notified should unresolvable issues prevent plan agreement. Acceptable performance is defined greater than or equal to 99% of all Contracting Officer negotiated MSPV required services continuously available as required throughout the contingency/disaster response period.
Appendix B: Scope and Methodology

Scope

The review team conducted its work from June 2020 through March 2021. The review covered 16 VA medical facilities serviced by the four prime vendors. The team developed a judgmental sample of 16 facilities based on VA-confirmed COVID-19 hotspots and OIG hotline contacts relating to supply shortages during the COVID-19 pandemic. Additionally, the team analyzed PPE purchases on or after October 1, 2019, and before July 1, 2020. Table B.1 shows the 16 medical facilities judgmentally selected.

Table B.1. Sampled VA Medical Facilities

<table>
<thead>
<tr>
<th>Prime vendor</th>
<th>Facility and location</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Purchasing Services LLC / American Medical Depot</td>
<td>East Orange Campus of the VA New Jersey Health Care System, East Orange, NJ&lt;br&gt;Manhattan Campus of the VA NY Harbor Healthcare System, New York, NY&lt;br&gt;Washington DC VA Medical Center, Washington, DC&lt;br&gt;VA Boston Healthcare System, Jamaica Plain, MA</td>
</tr>
<tr>
<td>Cardinal Health 200 LLC</td>
<td>VA Eastern Colorado Health Care System, Aurora, CO&lt;br&gt;Mann-Grandstaff VA Medical Center, Spokane, WA&lt;br&gt;VA Greater Los Angeles Healthcare System, Los Angeles, CA&lt;br&gt;VA Southern Nevada Healthcare System, Las Vegas, NV</td>
</tr>
<tr>
<td>Concordance Healthcare Solutions</td>
<td>Jesse Brown VA Medical Center, Chicago, IL&lt;br&gt;John D. Dingell VA Medical Center, Detroit, MI&lt;br&gt;Minneapolis VA Health Care System, Minneapolis, MN&lt;br&gt;VA St. Louis Health Care System, St Louis, MO</td>
</tr>
<tr>
<td>Medline Industries Inc.</td>
<td>Atlanta VA Health Care System, Decatur, GA&lt;br&gt;VA North Texas Health Care System, Dallas, TX&lt;br&gt;Southeast Louisiana Veterans Health Care System, New Orleans, LA&lt;br&gt;VA Caribbean Healthcare System, San Juan, PR</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16</strong></td>
</tr>
</tbody>
</table>

Source: VA OIG facility sample.

Methodology

The review focused on VA’s oversight of the MSPV contracts’ performance requirements for emergency supply support and continuous supply support during catastrophic events. This focus required the review team to gain an understanding of VA’s emergency supply process, prime vendors’ contingency supply plans and strategies, and the extent to which facilities used those
strategies during the COVID-19 pandemic. The team accomplished this through review of related policies and procedures, review of documents provided by VA and prime vendors, analysis of data obtained from VA databases, and interviews. Specifically, the review team completed the following actions:

- reviewed applicable laws, regulations, policies, procedures, and guidance related to VA’s oversight of the MSPV contracts regarding emergency and continuous supply support
- examined the MSPV contracts and modifications for the established performance measures for emergency and continuous supply support
- reviewed prime vendors’ emergency supply support plans
- evaluated whether prime vendors’ plans contained emergency supply support strategies that met contract requirements
- analyzed PPE purchase transactions on or after October 1, 2019, and before July 1, 2020, and compared the volume of VHA’s purchases of PPE through the MSPV program to the volume of non-MSPV purchases made before and during the COVID-19 pandemic
- conducted virtual site visits to the 16 selected medical facilities

The review team interviewed staff from the VA’s Strategic Acquisition Center, VHA’s Procurement and Logistics Office, VISNs, and VA medical facilities to gain an understanding of the emergency preparedness, contingency supply process, and monitoring controls in place. Interviews also permitted the team to

- assess whether VA ensured prime vendors’ plans were jointly updated, reviewed, and accepted by the vendors and supported facilities annually; and
- determine whether VA medical facilities were aware of, received, and took advantage of the emergency and contingency supply support plans through the prime vendors.

Further, the team interviewed representatives from the four prime vendors responsible for supporting the sampled facilities to determine

- whether they developed and provided contingency plans with emergency supply support strategies to the serviced VISNs and VA medical facilities,
- if they updated the contingency plans annually,
- if VA medical facilities took advantage of the strategies offered, and
- the impact of COVID-19 on vendor ability to fulfill facility orders.
Fraud Assessment

The review team assessed the risk that fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, significant in the context of the review objectives, could occur during this review. The team exercised due diligence in staying alert to any fraud indicators by taking action such as discussing any discrepancies found with appropriate personnel. The OIG did not identify any instances of fraud or potential fraud during this review.

Data Reliability

The team obtained VHA reported computer-processed data from VA’s COVID-19 IFCAP GIP, Power Business Intelligence (PowerBI) dashboard and Supply Chain Common Operating Picture (SCCOP).

- The PowerBI dashboard COVID-19 data, extracted from Integrated Funds Distribution, Control Point Activity, Accounting and Procurement Generic Inventory Package data and self-reported data from VHA’s Support Service Center, made up of purchase order history of MSPV and non-MSPV PPE orders initiated by VA medical facilities from October 1, 2019, through June 30, 2020. The system legend indicated that the purchase order data was normalized and categorized (manually) and included line items for identified COVID critical items only.

- VHA’s SCCOP data, made up of its medical facilities’ MSPV and non-MSPV expenditures processed under budget object code 2632 by VA medical facilities from October 1, 2019, through June 30, 2020. The data is an extract from VA’s Corporate Data Warehouse, Integrated Funds Distribution, Control Point Activity, Accounting and Procurement, and procurement tables.

- Both data sets included key fields such as order type, purchase order date, status, supply item and quantity of items ordered, and the total cost. The audit team used documents retrieved from VA Invoice Payment Processing System or provided by the responsible medical facility to test the key fields identified in the PowerBI dashboard and SCCOP data. The OIG’s Data Analysis Division also conducted additional analysis of the PowerBI dashboard data to ensure completeness of the information. The audit team’s data reliability testing concluded the information was sufficiently reliable for the purposes of this review. The team could not confirm the overall completeness of the VHA reported data because they did not have access to all data sources. The team also used VA reported COVID-19 hotspots data to help identify a judgmental sample of facilities. However, data reliability was not conducted on this computer process data because there was no available source to compare the reported information.
Government Standards

The OIG conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency’s *Quality Standards for Inspection and Evaluation.*
Appendix C: Sampling Methodology

Approach

To accomplish the objective, the audit team selected a judgmental sample of 16 VA medical facilities to interview staff and reviewed national medical and surgical PPE orders data reported in VHA’s COVID-19 IFCAP GIP Power BI dashboard for the period October 1, 2019, through June 30, 2020. The team used the data to assess changes in spending from October 1, 2019, through February 15, compared to spending from February 16, 2020, through June 30, 2020, during the COVID-19 pandemic, to show the potential effects of VA medical facilities’ not taking advantage of available emergency supply options offered by prime vendors before COVID-19.

Population

The population sizes varied based on the sampling criteria used for the two approaches. For the VA medical facilities, the sample of 16 VA medical facilities was judgmentally selected from a universe of 140 VA healthcare systems in which VHA data showed the highest reported rates of COVID cases as of May 28, 2020. The review team interviewed employees from the sampled medical facilities to determine if and how they applied the prime vendor strategies before the pandemic.

For the medical and surgical PPE items data, the population initially consisted of 150,002 PPE line-item transactions ordered from 129 VA medical facilities and fulfilled by vendors inside and outside the MSPV program between October 1, 2019, and June 30, 2020. After the team excluded transactions containing blank values or zeroes from three data fields and transactions classified by VHA as “incomplete orders,” the population was reduced to 141,020 PPE line items, as shown in table C.1.

<table>
<thead>
<tr>
<th>Table C.1. Adjusted Population</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Initial number of PPE line items</strong></td>
</tr>
<tr>
<td>150,002</td>
</tr>
</tbody>
</table>

Source: VA OIG statistical analysis of PPE purchase order data from VHA’s COVID-19 IFCAP GIP PowerBI dashboard PPE orders, performed in consultation with the Office of Audits and Evaluations’ statistician.

*The adjusted sample population consisted of 136,910 (about 137,000) filled or pending orders and 4,110 unfulfilled (canceled) orders.

Sampling Design

The team used two designs to review the data from VA medical facilities.
VA Medical Facility Sample

The review team selected a judgmental sample of 16 VA medical facilities from a total of 140 VA healthcare systems. The 16 selected VA medical facilities represented the facilities with the highest number of confirmed COVID-19 cases according to VA’s COVID-19 National Summary website as of May 28, 2020, after applying the following criteria:

1. Only one VA medical facility per state/district/territory
2. Only one VA medical facility per VISN
3. Four VA medical facilities from each of the four prime vendors

The team additionally considered facilities that had an established emergency advance-order list with their prime vendor, as well as VA OIG hotline complaints related to PPE shortages at VA medical facilities from February 1 through May 28, 2020.

After applying the criteria and exceptions to the selection process, the review team had a judgmental sample of 16 VA medical facilities from 16 states/districts/territories, 15 VISNs, and four facilities from each of the four prime vendors.

Medical and Surgical PPE Items Data

The team further arranged the sample of ordered PPE line items into multiple categories to analyze the data. First, the data were categorized as “MSPV” and “Non-MSPV,” based on the vendor the medical facilities ordered the items from. Second, the line items were separated based on the date of the associated purchase ordered and classified as either before COVID, for purchase orders dated October 1, 2019 to February 15, 2020, or during the early stages of COVID-19 for purchase orders dated February 16 to June 30, 2020. Third, PPE line items were grouped into three categories based on their order status: “Order Filled,” “Order Pending,” or “Order Unfulfilled (Canceled).” Table C.2 shows how the line items were categorized.

---

29 For the purposes of this report, the review team designated the period before COVID-19 as October 1, 2019, through February 15, 2020, and the early stages of COVID-19 as February 16 through June 30, 2020. February 15, 2020, is based on an April 8, 2020, VA memorandum outlining the Department of Health and Human Services’ January 31, 2020, declaration of a public health emergency related to COVID-19, and VHA’s February 2020 actions to assess internal and vendor PPE accountability and readiness.
Table C.2. PPE Transaction Population, October 1, 2019, through June 30, 2020

<table>
<thead>
<tr>
<th>Order type</th>
<th>Before COVID</th>
<th></th>
<th></th>
<th>During COVID</th>
<th></th>
<th></th>
<th></th>
<th>Total line items</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Order filled</td>
<td>Order pending</td>
<td>Order unfilled (canceled)</td>
<td>Order filled</td>
<td>Order pending</td>
<td>Order unfilled (canceled)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MSPV</td>
<td>52,313</td>
<td>4,895</td>
<td>806</td>
<td>26,684</td>
<td>14,716</td>
<td>1,447</td>
<td>100,861</td>
<td></td>
</tr>
<tr>
<td>Non-MSPV</td>
<td>19,258</td>
<td>688</td>
<td>396</td>
<td>12,949</td>
<td>5,407</td>
<td>1,461</td>
<td>40,159</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>71,571</td>
<td>5,583</td>
<td>1,202</td>
<td>39,633</td>
<td>20,123</td>
<td>2,908</td>
<td>141,020</td>
<td></td>
</tr>
</tbody>
</table>

Source: VA OIG’s analysis of data reported in VHA’s COVID-19 IFCAP GIP Power BI Dashboard.

To perform an additional review of the PPE line items, the team grouped each line item whose order was fulfilled into one of 11 PPE categories (shown in table C.3) to compare “Pre-COVID” spending to “during COVID” spending for each PPE category. To accomplish this, the team compared the “Pre-COVID” purchase price for items purchased through the MSPV program with the “during COVID” purchase price of items purchased through non-MSPV suppliers. The team then aggregated all line-item purchases that exhibited a change in price (increase or decrease) between periods and documented the price change for each PPE category.

Table C.3. Change in Spending for PPE Items Purchased through MSPV before and during COVID-19

<table>
<thead>
<tr>
<th>Category</th>
<th>Orders placed</th>
<th>Amount of decrease/increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>256</td>
<td>−$104,663</td>
</tr>
<tr>
<td>Eye protection</td>
<td>547</td>
<td>$19,728</td>
</tr>
<tr>
<td>Face shield</td>
<td>17</td>
<td>−$4,592</td>
</tr>
<tr>
<td>Gloves</td>
<td>18,442</td>
<td>−$1,847,654</td>
</tr>
<tr>
<td>Gown</td>
<td>7,081</td>
<td>$3,241,648</td>
</tr>
<tr>
<td>Masks</td>
<td>6,753</td>
<td>$5,514,056</td>
</tr>
<tr>
<td>Masks N95/100</td>
<td>2,314</td>
<td>$1,363,776</td>
</tr>
<tr>
<td>Shoe covers</td>
<td>713</td>
<td>$41,099</td>
</tr>
<tr>
<td>Staff protection (cap, lab coat, jacket, and hood)</td>
<td>2,140</td>
<td>$82,866</td>
</tr>
<tr>
<td>Total</td>
<td>38,263</td>
<td>$8,306,264*</td>
</tr>
</tbody>
</table>

Source: VA OIG’s analysis of data reported in VHA’s COVID-19 IFCAP GIP Power BI dashboard.

*Net total of the amount of increases and decreases. The total does not sum due to rounding.
Appendix D: Management Comments, Under Secretary for Health

Department of Veterans Affairs Memorandum

Date: May 10, 2021
From: Acting Under Secretary for Health (10)
To: Assistant Inspector General for Audits and Evaluations (52)

Thank you for the opportunity to review and comment on the Office Inspector General (OIG) draft report, Medical/Surgical Prime Vendor Contract Emergency Supply Strategies Available Before the COVID-19 Pandemic. OIG assigned recommendation one to the Acting Under Secretary for Health and recommendation two to the Principal Executive Director, Office of Acquisition, Logistics, and Construction. The Veterans Health Administration concurs with OIG’s report and provides an action plan in the attachment.

The OIG removed point of contact information prior to publication.

(Original signed by)
Richard A. Stone, M.D.

Attachment
VETERANS HEALTH ADMINISTRATION (VHA)

Action Plan


Date of Draft Report: April 8, 2021

<table>
<thead>
<tr>
<th>Recommendations/Actions</th>
<th>Status</th>
<th>Target Completion Date</th>
</tr>
</thead>
</table>

The OIG directed the Under Secretary for Health to

**Recommendation 1:** Direct the Medical Supplies Program Office to provide Veterans Integrated Service Network and VA medical Facility chief logistics officers guidance on how to use and monitor the emergency and continuous supply strategies offered in prime vendors' contingency plans to help mitigate acute emergency and continuous supply shortages during the current pandemic and future emergencies.

VHA Comments: Concur. The Medical Supply Program Office (MSPO) will develop guidance on how to use and monitor Medical Surgical Prime Vendor (MSPV) Next Generation (NG) Bridge contract emergency and continuous supply strategies. MSPO will distribute the guidance to Veterans Integrated Service Network chief logistics officers and VA Medical Center chief supply chain officers. MSPO will also share guidance with MSPV contracting officer representatives on how to monitor their medical facility's use and prime vendor fulfillment of emergency and continuous supply strategies offered in the MSPV-NG Bridge contract.

Status: In progress Target Completion Date: July 31, 2021

The OIG directed the principal executive director, Office of Acquisition, Logistics, and Construction to

**Recommendation 2:** Direct the Strategic Acquisition Center’s Medical/Surgical Prime Vendor Program contracting officer to provide guidance to Veterans Integrated Service Network and VA medical facilities’ program contracting officer’s representatives on the emergency and continuous supply provisions in the contracts, and ensure contracting officers’ representatives inform network and facility managers of the strategies offered by the prime vendors.

This recommendation is the responsibility of the principal executive director, Office of Acquisition, Logistics, and Construction.
Appendix E: Management Comments, Principal Executive Director, Office of Acquisition, Logistics, and Construction, and Chief Acquisition Officer

Department of Veterans Affairs Memorandum

Date: May 5, 2021

From: Principal Executive Director, Office of Acquisition, Logistics, and Construction, and Chief Acquisition Officer (003)


To: Assistant Inspector General for Audits and Evaluations (52)

The Office of Acquisition, Logistics, and Construction (OALC) completed its review of the subject Office of Inspector General's (OIG) draft report and concurs with the finding and the associated recommendations. In this report, OIG conducted a review of the Medical/Surgical Prime Vendor Contract (MSPV) emergency supply strategies available before the COVID-19 pandemic. The objective for the review was to determine whether (1) the Veterans Health Administration (VHA) ensured the prime vendors provided facilities with contingency continuity of service plans (contingency plans) that offered facilities strategies to provide emergency supply support during major catastrophic events; (2) facilities took advantage of the options and strategies offered in the plans; and (3) the extent to which VHA relied on MSPV to obtain personal protective equipment during the pandemic. The OIG draft report made one finding and two recommendations. Recommendation 1 is assigned to VHA and Recommendation 2 is assigned to OALC.

Finding: By not asking the prime vendors to provide the services established in contingency plans, VA medical facilities potentially missed opportunities of receiving certain needed medical supplies during the pandemic. VA can leverage the lessons learned during the pandemic and put itself in the best position for future emergencies by continuing to develop and refine its contract requirements for prime vendors to address catastrophes. Such refinements should consider how those contract requirements can support related plans. Furthermore, VA must effectively educate staff on what strategies the vendors provide and monitor the use and criteria developed for the facilities.

Recommendation 2: The Principal Executive Director of the Office of Acquisition, Logistics, and Construction direct the Strategic Acquisition Center's Medical/Surgical Prime Vendor Program contracting officer to provide guidance to the Veterans Integrated Service Network and VA medical facilities' program contracting officer's representatives on the emergency and continuous supply provisions in the contracts, and ensure contracting officers' representatives inform network and facility managers of the strategies offered by the prime vendors.

OALC Response: Concur with both the Finding and Recommendation 2. The Strategic Acquisition Center (SAC) will coordinate with VHA's Medical Supply Program Office (MSPO) to ensure that Veterans Affairs Medical Centers (VAMCs) have fully qualified and appropriately certified Contracting Officer's Representatives (CORs) designated for each facility. The Contracting Officer will ensure that CORs receive appointment letters that clearly articulate their duties and responsibilities, and specifically provide guidance to the Veterans Integrated Service Networks and facility managers regarding emergency and continuous supply provisions under the MSPV distribution contracts. In the event that a VAMC/facility
does not have a current designated COR, MSPO will coordinate with the facility Chief Logistics Officer (CLO) to identify a qualified candidate for COR designation submission and in the interim, coordinate with the SAC/CLO to provide the available emergency supply guidance. The MSPO will coordinate with the SAC to establish a COR succession plan, which will ensure that upon departure of a COR, a successor is trained/designated within a reasonable time frame in order to prevent a lapse in COR services at the VAMCs/facilities.

Target Completion Date: July 2021

(Original signed by)

Michael D. Parrish

For accessibility, the original format of this appendix has been modified to comply with Section 508 of the Rehabilitation Act of 1973, as amended.
## OIG Contact and Staff Acknowledgments

<table>
<thead>
<tr>
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