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US GAO: Veterans Affairs Falls Short In Med-Supply Purchase Revamp

by Elizabeth Orr

An attempt by the US Department of Veterans Affairs to institute a new system for ordering medical supplies has gotten off to a rough start, with staffing issues, problems in formulary design and non-competitive contracts all muting the impact, according to the Government Accountability Office.

A too-rushed timeline, lack of clinician input, and insufficient staffing have been among the problems faced by a US Department of Veterans Affairs attempt to redo its medical supply purchasing process, the Government Accountability Office said in a recent *report*.

The government watchdog's report evaluates the Medical Surgical Prime Vendor-Next Generation (MSPV-NG) Program, which VA designed to improve efficiencies and lower costs in medical supply purchasing at 170 VA medical centers. The VA spent $465m on supplies like bandages and scalpels in 2015, and MSPV-NG was a key piece of an attempt to save $150m by simplifying and improving the supply chain.

VA medical centers had used a flexible, legacy MSPV system for supply purchases for more than a decade, GAO acquisition and sourcing management director Shelby Oakley said written testimony before the US House Committee on Veterans' Affairs Dec. 7. But that system didn't allow the VA to improve its buying power and clinical consistency by standardizing the products it ordered across different medical centers, she explained.

The department launched its efforts to implement MSPV-NG in early 2015, when the Veterans Health Administration (VHA) began identifying a list of supply requirements. The formulary rolled out in December 2016, and health-care facilities had until April to start purchasing using the new system. Facilities can no longer order products available in the formulary unless they use the new system.

But the path to put the new formulary into place hasn't been smooth. The MSPV-NG program's "initial implementation did not have an overarching strategy, stable leadership, and workforce capacity that could have facilitated medical center buy-in for the change," GAO wrote in the report.

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Oakley said one major problem was that VA leadership hasn't developed or communicated an overall strategy for the project. As a result, she said, "VA could not reasonably ensure that all stakeholders understood VHA's approach for MSPV-NG and worked together in a coordinated manner to achieve program goals."

The program office was also understaffed, with only 24 of 40 positions filled by January 2017. Additionally, four different people have served as the office's director. Two were named as acting directors, while the other two performed the office's duties while also holding another job, Oakley said.

Additionally, VHA staff chose to develop the formulary based on previous purchasing patterns. "This approach to requirements development stood in sharp contrast to those of the leading hospital networks we met with, which rely heavily on clinician input to help drive the standardization process and focus on individual categories of supplies that provide the best opportunities for cost savings," Oakley said.

Formulary Lacked Popular Supplies

The formulary then failed to meet clinician needs. VA hoped that 40% of medical supply purchases at VA facilities would come from the MSPV-NG formulary by May 2017. Instead, the average order rate hovered at 24% across six selected facilities, with VA centers in some Florida cities using the formulary less than 15% of the time. And only about a third of items on the formulary were ordered in significant quantities. Instead, the health centers are going against the goals of MSPV-NG by buying medical supplies via methods such as purchasing cards and new contracts, Oakley said.

An effort to award competitive contracts during the formulary development also fell flat. Instead, 79% of products were added to the MSPV-NG formulary via non-competitive contracts – a steep hike from the previous use of non-competitive contracts. That was done to meet the tight December 2016 deadline to develop the formulary but came at the expense of cost savings, GAO said.

Oakley predicted problems will continue because the timeline to hit phase II of the program seems unrealistically tight, posing a risk of gaps in contract coverage.

GAO recommended several steps to improve MSPV-NG, including appointing a permanent program director and developing a thorough overall program strategy. Additionally, the office asked the VA to give medical centers complete guidance on equivalent supply items; analyze data on whether supplies frequently needed for emergencies should be added to the formulary; and communicate the process for adding or removing products from the formulary, among other actions. VA has agreed to the recommendations but is yet to put them into place, GAO says.

This isn't the first time GAO has found flaws in medical device purchases at VA. In 2014, a GAO investigation found that the VA was not following its own bulk purchase requirements for implanted devices, lacked a system for tracking patients with the devices and may have even allowed company vendors to directly operate on veterans in some instances. (Also see "*Under Pressure From Congress, VA Aims To Buy More Implants In Bulk*" - Medtech Insight, 20 Jan, 2014.)

From the editors of The Gray Sheet