

# **Grassley at Hearing on Protecting the Reliability of the U.S. Medical Supply Chain During the COVID-19 Pandemic Part 1**

Prepared Opening Statement by U.S. Senator Chuck Grassley of Iowa

Chairman, Senate Finance Committee

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Good morning,

I'd like to welcome everyone to the Finance Committee's hearing on Protecting the Reliability of the U.S. Medical Supply Chain during the COVID-19 Pandemic.

This is the first hearing of a series of hearings to discuss the integrity of our nation's medical supply chain.

Today, we will hear from the Department of Homeland Security (DHS), and in a few days we will hear from private sector stakeholders.

This is an extremely important topic to discuss and one that impacts the safety of all Americans.

It's Congress's responsibility to ensure that DHS upholds its responsibility to protect the public health by properly ensuring that Americans on the frontline get safe and effective medical supplies.

I think we can all agree. The COVID-19 pandemic has exposed several vulnerabilities in our nation's medical supply chain.

Some of these vulnerabilities are new, while others have been around long before the pandemic and have been further exacerbated by this crisis. Indeed, I've been asking questions long before the pandemic brought these issues to the forefront of national debate.

In November of last year, I finalized my oversight activities on the proliferation of counterfeit and other illicit goods sold on e-commerce platforms.

The Ranking Member and I issued a report on our findings and highlighted the threat counterfeits pose to our nation's economic security, and the health and safety of Americans.

We also highlighted that many counterfeits originate in China and Hong Kong.

At this point, I think it's fair to say that China has serious quality control problems. It was evident then, and even more so now.

Before the coronavirus pandemic, hospitals and health care workers could avoid purchasing counterfeits by tapping into tried-and-true supply chains.

However, as the demand for PPE skyrocketed, some of these providers have had to go outside their normal supply chains to source supplies, and in some cases have inadvertently purchased fake, faulty and even illicit medical supplies.

The problem of counterfeit and faulty products is something that I've looked into for a very long time, dating back to when I was Chairman of the Judiciary Committee.

As the virus began its foothold in the United States, I also sent a letter to Vice President Mike Pence and several other agency heads to express my concern that PPE shortages were allowing bad actors to take advantage of hospitals and health care workers desperate for supplies.

I've talked to hospitals all over the country, and have heard stories of price gouging, shady middlemen and PPE that was ordered and then never arrived, or was unusable.

In my letter, I asked the Administration to take this issue seriously, and to prosecute bad actors to the fullest extent of the law.

Today, we'll hear from a representative from U.S. Immigration and Enforcement's Homeland Security Investigations on their efforts to do just that.

Before we hear from today's witnesses, I want to discuss the substance of today's hearing. We will discuss several issues confronting our nation's supply chain as our country continues to battle the coronavirus pandemic.

First, I want to go back to the beginning, and expose the root cause of why the United States – and frankly the world – is experiencing a breakdown of their supply chains.

China is the largest manufacturer of PPE in the world, with more than 40 percent of PPE manufactured there.

In the beginning of the pandemic, China did the unthinkable.

They turned off the taps of PPE manufacturing, and heavily restricted their exports of PPE. The Chinese government also directed its local and state governments to source more supplies from the international market.

As global demand soon spiked, and China restricted exports, distributors and suppliers were unable to fulfill orders.

As a result, some hospitals report estimated delays of three to six months for supplies.

Some pundits say China did what it did to address a domestic health crisis. However, it's important to remember that, in the beginning, China downplayed the seriousness of the coronavirus threat to the world while it redirected vast quantities of PPE towards its domestic needs.

In the United States, China's decision to redirect medical supplies occurred when states, territories, localities, and tribes began to desperately need these critical supplies.

While China has since reversed course, and allowed PPE to leave the country, the United States has continued to struggle to meet demand, with most of our supply chains heavily dependent on China or Mexico.

We cannot allow our supply chains to rely so heavily on China, and I look forward to working with my colleagues, on both sides of the aisle, to discuss how we can diversify our supply chains and increase our domestic manufacturing capacity.

I want to turn now to how shortages have affected hospitals and health care workers.

Before the coronavirus pandemic, hospitals and health care providers employed a "just-in-time-approach" to sourcing supplies from trusted distributors. However, as the virus gained a foothold in the United States, everyone rushed to compete for supplies, further exacerbating the shortages.

As a result, some health care providers resorted to purchasing PPE from unverified suppliers, and some even turned to the internet to source supplies.

By doing so, these providers sometimes received fake, fraudulent and even illicit goods not safe for use in treating patients with the coronavirus. In other cases, providers faced price gouging or hoarding.

Fake N95 masks have become so prolific that 3M recently filed suit against several purported PPE sellers profiting from COVID-19 at the expense of the sick and vulnerable.

Large health care systems have told me that the supply chain is doing better now, with more PPE coming in daily, which gives them the ability to avoid unverified suppliers altogether.

However, smaller providers continue to face horrific shortages which may cause them to continue to turn to unverified suppliers, or even the internet, to source supplies.

Even more concerning is that smaller providers, like safety-net clinics and rural hospitals, tend to treat low income families, a majority of which are African Americans and Latinos.

This population has been hit the hardest by the pandemic, and is four to five times more likely to be hospitalized for contracting the coronavirus.

This is an issue that cannot be sugarcoated, or spun for some political purpose. It's a fact.

The black and brown community is suffering.

As members of Congress, and stewards of the public trust, we must do everything in our power to protect this vulnerable population.

This Committee is considering several proposals to do just that.

And one way we can help this vulnerable population is to do everything in our power to shore up the integrity of our nation's supply chain, and make sure that all hospitals and health care providers get the quality supplies they need to treat COVID-19 patients.

With that said, I want to now turn to the Department of Homeland Security's efforts to protect the integrity of our nation's supply chain, as we have witnesses before us today that can speak to this very issue.

DHS and its components are engaged in an unprecedented, whole-of-government response to combat the coronavirus pandemic.

Our nation has not faced a pandemic like the coronavirus in more than 100 years.

Even so, we can't deny that the Federal government's approach to emergency preparedness has always been fraught with problems, going back to President Obama's Administration and beyond.

This is not some partisan point. It's a fact.

It also shows that no matter which party is in the White House, we can always do more to prepare.

Today, we will hear from witnesses that represent DHS's Office of Procurement, U.S. Customs and Border Protection, and ICE's Homeland Security Investigations.

Thank you for being here. I look forward to hearing from all of you.

In closing, I want to say two things. First, I want to thank the DHS officials who work tirelessly to ensure the integrity of our nation's supply chain, and for their efforts to ensure that those in most need get critical, quality medical supplies.

Your job is incredibly difficult right now, but it is also incredibly important.

Second, we must come together to address vulnerabilities in our nation's supply chain. I hope today we can have a good faith discussion so that we can better understand what we, as Congress, need to do to protect American's front line workers and prepare our country for future national health emergencies.