Recommendation: VHA to adopt a best-in-class automated ordering platform for Medical Supplies and Devices

The Problem

The Veterans Healthcare Administration (VHA) currently spends approximately $5 billion annually without a comprehensive, modern, fully automated procurement system for medical supplies and devices. Unlike commercial healthcare systems in the U.S., the VHA relies heavily on outdated manual ordering methods—such as phone and fax—while largely using Government Purchase Cards (GPC) for payment. This manual process is more costly, inefficient and error-prone, making it difficult to streamline procurement and track orders effectively, which also creates variance introducing risk in patient care.

Medical supplies and devices must often be sourced through multiple channels, including Original Equipment Manufacturers (OEMs), Medical Surgical Prime Vendor (MSPV) distributors, and independent resellers. Unfortunately, the VA does not have a modern and comprehensive ordering platform in place that addresses all medical spend.

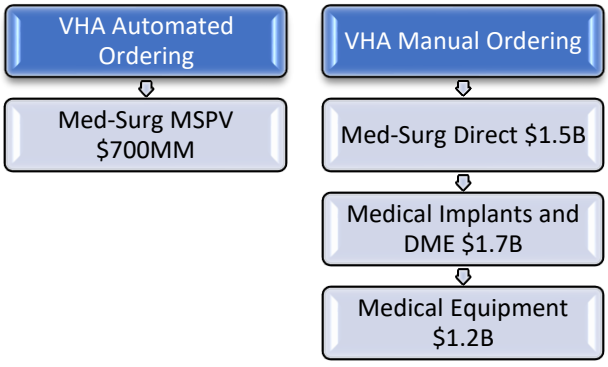
The Solution

The VHA should adopt a proven, commercially available medical supply chain automation platform. A comprehensive platform should have the capabilities to pull in VHA contracted items, vet vendors, automatically direct the buying process, have connectivity to trading partners via Electronic Data Interchange (EDI) while also automating orders for small and veteran owned businesses supporting VA. These healthcare industry platforms streamline procurement, reduce manual effort, and ensure that orders align with existing contracts, thereby saving time and money while avoiding rogue spend, thus improving patient care. This is a fundamental practice within the industry.

Why This Matters

According to Freedom of Information Act (FOIA) data and internal VHA sources, the Department of Veterans Affairs (VA) spends over **$5 billion annually** on medical supplies and equipment. Shockingly, less than 15% of this spend flows through an automated system via the Medical Surgical Prime Vendor Program (MSPV), leaving the remaining 85% to be handled manually. This inefficiency drives up costs, increases the risk of errors, and jeopardizes patient care for veterans.

By design, the breadth and scope of medical supply and device procurement is significantly broader that what the MSPV program supports. The other 85% of the estimated annual dollar spend largely represents medical products that are sold by OEMs and resellers and are typically ordered by VHA buyers through manual processes (i.e. phone, fax, GPC). Manual purchases cannot be reconciled with government contracts, effectively bypassing governance in the ordering process.



The Challenges of Manual Ordering

Manual procurement methods create a host of problems, including:

- **Higher Error Rates & Compromised Clinical Outcomes:** Manual orders are more prone to errors, leading to delays, increased costs, and risk in patient care outcomes. Automation reduces these errors significantly.
- **Open Market Spending:** FOIA data reveals that 90% of the estimated $1.4 billion in manual GPC orders for medical supplies under the $10,000 micro-purchase threshold in 2024 do not reference a government contract, driving up costs.
- **Security Risks:** Using GPCs exposes suppliers to credit card security risks and incurs added fees. Automation enables safer, cost-effective EDI payments.
- **Gray Market Risks:** Manual processes increase the chance of purchasing from unauthorized vendors, jeopardizing patient safety. Automated systems vet vendors and ensure compliance with VA contracts.
- **Lack Enterprise Data Visibility:** Manual orders provide limited insights into procurement trends, hindering systemwide supply chain management. An automated platform offers real-time visibility, enabling informed decision-making.

Missed Opportunities
VHA contracts for medical supplies, implants, durable medical equipment, and Federal Supply Schedules are often underutilized due to the time-consuming nature of manual processes. Buyers frequently default to phone or fax orders, paying with GPCs, which wastes resources and bypasses negotiated contract pricing.

The Benefits of Automation
A comprehensive automated platform would:

- Integrate VHA contracts with electronic ordering systems to leverage the government's buying power and provide visibility to new savings opportunities.
- Streamline procurement processes, reducing open market spending.
- Achieve labor savings.
- Improve resilience with data visibility and enable better, actionable supply chain management in real-time.
- Align the VHA with commercial best practices, where 85% of medical supply ordering is automated.
- Mirror the Department of Defense's success with the Defense Medical Logistics Support System (DMLSS).

The Path Forward
By implementing a comprehensive, modern, automated procurement system to facilitate EDI procurements, regardless of where the products need to be sourced by VA buyers (MSPV, OEMs, or resellers), the VHA can extensively enhance efficiency, reduce costs, and ensure better care for our nation's veterans. It is important that the VHA selects a platform which has the proven ability to scale for an organization of its size, provide analytics, vet vendors, and most importantly, is healthcare focused. This transformation is not just a technological upgrade—it's a necessary step toward a more reliable, resilient and effective healthcare system for those who have selflessly served our nation.