

State Personal Protective Equipment (PPE) Purchases

During the May 2020 meeting of the Emergency Board, the Emergency Board received a report on a high-level distribution of the state's Coronavirus Relief Fund from the federal CARES Act. The distribution of funding included three priority categories of (1) State Expenses, (2) Local Government and Tribes, and (3) Reserves. The report in May outlined the Local Government and Tribes distribution amount was \$415 million and split into two amounts: \$215 million in direct reimbursement to local governments and Tribes for their costs and \$200 million for the state to pay for personal protection equipment (PPE), contact tracing, testing capacity, and other supports provided to local governments and Tribes.

Since the beginning of this pandemic, the Department of Administrative Services (DAS) has been purchasing PPE and hand sanitizer, warehousing the supplies, and distributing across the state. The supply chain was severely disrupted in March/April/May. Supplies were quickly depleted in the United States, and Oregon was competing with every government and hospital in the US to acquire supplies. DAS had to exercise a balance of making swift decisions and taking measured risks in order to obtain supplies. DAS was bombarded with emails and calls from firms offering PPE and there was significant risks of fraud in the market. Payment terms shifted overnight with prepayments of 50-100% required in order to be **considered** for an order. As freight capacity diminished, freight costs skyrocketed. Guidance from the FDA and the CDC was also changing rapidly.

During this time, DAS created a small buying team who worked onsite daily to vet and place orders. DAS relied on a network of colleagues to inform purchasing decisions. Business Oregon vetted potential suppliers; OSHA and OHA reviewed specifications and certifications; Treasury supported daily wire/ACH transfers; and the Port of Portland assisted with freight and customs processes /connections. DAS had weekly calls with colleagues in other states doing the same work. For these reasons, it was determined that a centralized approach to purchasing PPE would best streamline purchases while managing the risks.

An additional goal within the buying team has been to create purposeful redundancies in the supply chain. Prior to this pandemic, PPE manufacturing was consolidated to drive better efficiency and lower unit costs, often through international suppliers. This consolidation, however, has reduced the overall resiliency of the supply chain, and has left Oregon at a disadvantage. The buying team has been cultivating new manufacturers located within Oregon, with the purpose of diversifying the supply chain and increasing Oregon's overall access to PPE. While many of these Oregon manufacturers are willing to work with the state, adding PPE as a product line requires capital investments the suppliers do not want to make unless they know there will be a purchaser for their product. An additional benefit from the centralized approach is the ability of the state, as a bulk purchaser, to ensure adequate business so the manufacturer can recoup the costs of their investment.

In total, DAS is projecting to spend \$150 million from the federal Coronavirus Relief Fund (CRF) on PPE, split 30 percent for state use (\$45 million) and 70 percent for local governments and Tribes (\$105

million). To date, DAS has issued Purchase Orders for PPE valued at \$109 million, and has made payments for \$91 million of that amount. Over the last several meetings of the Emergency Board, DAS has received Federal Funds expenditure limitation to cover state CRF costs related to COVID-19, including the projected \$45 million associated with purchasing PPE for state use. DAS has not, however, received Federal Funds expenditure limitation for the projected \$105 million dedicated to purchasing PPE for local government and Tribes.

Supporting information

Process Overview:

DAS is utilizing a state owned warehouse in Wilsonville as the receiving and distribution center, using five full time staff. The 100,000 square foot warehouse has multiple receiving bays and product comes in and out of the facility on a daily basis. Product is received from DAS purchases, FEMA and a few donations. Once received, inspected and accepted, the product goes into inventory and is available for distribution.

Early in the pandemic, a “push” model was used to distribute much of the PPE to counties and Tribes. This means that a block of PPE was available and quantities were allocated to the counties and Tribes based on the population and the number of cases in the county or Tribe. The Emergency Coordination Center (ECC) contacted the county/Tribe emergency managers to let them know of the push and to see if they would like their entire allocation or a portion thereof. Confirmed orders were sent to Wilsonville warehouse for fulfillment and distribution.

In June the state switched to a “pull” model for distribution of PPE. Counties gain access to the state PPE inventory by making a specific request through their emergency manager. Prior to making a request from state inventory, counties and Tribes are encouraged to use their available resources to meet their needs. When their need outpaces their capacity, they can access the state inventory of PPE by submitting a request through the ECC Ops system. All county emergency managers are accustomed to using this standard emergency response process. OHA reviews any requests for medical grade PPE to ensure the intended use is within their published guidelines, and forwards all approved requests to the Wilsonville warehouse for fulfillment and distribution

Under both methods, push and pull, there is no charge to the county for the product, labor or shipping associated with these requests.

Distributions to Date:

The table below summarizes PPE that DAS has distributed to local and Tribal governments as of 8/13/20. The cost uses an average cost per item because DAS is purchasing items in bulk, then distributing the items from the Wilsonville warehouse. It is important to note that the costs of some items were above market cost during the early days of the pandemic response due to high demand and limited supply.

	Count Distributed to Counties	Count Distributed to Tribes	Count Distributed to Region 1 Hospitals	Average Value	Total Estimated Value
Surgical Masks	3,486,848	320,124	1,433,132	\$ 1.00	\$ 5,240,104.00
N95	951,107	140,271	188,828	\$ 3.00	\$ 3,840,618.00
KN95	7,682,950	462,189	70,478	\$ 3.00	\$ 24,646,851.00
Gowns	728,073	47,597	183,695	\$ 5.00	\$ 4,796,825.00
Face Shields	406,467	46,151	103,901	\$ 5.00	\$ 2,782,595.00
Gloves	2,162,947	190,667	196,525	\$ 0.30	\$ 765,041.70
	Total Estimated Value				\$ 42,072,034.70

In addition, a significant amount of hand sanitizer has been distributed to counties and Tribes. Hand sanitizer comes in different sizes, from two ounce bottles to gallon sized jugs and the distribution data does not break down size. For that reason, creating a meaningful summary is not feasible; however, the records indicate that over 10 million ounces have been distributed to date.

Current Inventory Status:

	On Hand	On Order	60 Day Active Response Target	Gap
Surgical Masks	11,000,100	0	6,000,000	0
N95	299,010	5,987,553	6,500,000	<213,437>
KN95	4,421,865*	0	0	0
Gowns	3,719,080	0	3,000,000	0
Face Shields	454,180	0	550,000	<95,820>
Gloves	2,436,600	34,000,000**	10,000,000	0

* Approximately half of these are on the approved FDA list and can be used in medical settings

** Approximately half of this order will support upcoming initiatives (Small Business, Emergency Child Care Center, Persons experiencing homelessness)

Looking ahead:

- Reviewing the targets for PPE inventory
- Exploring alternate storage opportunities in strategic locations throughout state to make PPE more easily accessible.

- Working with Oregon manufacturers to establish a local supply chain for N95s, surgical masks and gowns
- Supporting a wide variety of initiatives such as those mentioned above, as well as working with the Department of Education to secure masks from FEMA and to prepare guidance to schools for using state contracts to purchase necessary supplies.