



DEPARTMENT OF DEFENSE MEDICAL SUPPLY CHAIN



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DECEMBER 2ND, 2009



Topics

- Focus
- Priorities
- Big Picture
- Major Programs
- Support To Theaters Of Operation
- Layered Logistics Support Strategy
- Commercialization Efficiencies
- On Our Horizon



Our Focus

Institutional



Every Day

- **Brick & Mortar Hospitals**
 - Department of Defense
 - Federally Funded Hospitals
- **Indian Health Service**
- **Clinics**
- **Mail Order Pharmacies**
- **Veterans Administration**
- **Foreign Military Sales**

Operational



Every Crisis

- **Deployed & Deployable Units**
 - **Southwest Asia**
 - Afghanistan
 - Iraq
 - **Europe**
 - **Korea**
 - **Central America**
 - **Africa**
 - **United States**

**Mission: *Provide Medical Materiel Support to the Department of Defense
Every Day and in Every Crisis***



Our Top Priorities

Mission –

- *Provide Optimal Medical Materiel Support to the Department of Defense*

Transformation –

- *Leverage Commercial Practices With Information Technology To Constantly Improve Capabilities & Lower Costs*

People –

- *Prepare Our Human Capital & Workplace For the Future*

Alignment –

- *Keep Our Capabilities Ahead Of Warfighter Needs*

One Enterprise –

- *Partner for Seamless Logistics Support to Our Customers*



Overview

Customers
8,900 +

75,000 National Stock Numbers
500 stocked
370,000 PV Commercial Items
1 million Web Commercial items

	Sales	
FY03		\$3.137B
FY04		\$3.401B
FY05		\$3.603B
FY06		\$3.931B
FY07		\$4.140B
FY08		\$4.229B
FY09		\$4.531B

\$329M
Inventory
Reduction
(FY91-09)

The Big Picture

\$1.4B
Sales
Increase
(FY03-09)

	Inventory	
FY 91		\$629.1M
FY 07		\$276.7M
FY 08		\$342.7M
FY 09		\$299.7M

Personnel

Employees: 15 Mil / 315 Civ

Suppliers: 1,200 FY 08



Medical Sales For Fiscal Year 2009 By Major Program

Fiscal Year 2009 Total = \$4.531Billion



Capital Equipment
\$437M
10%

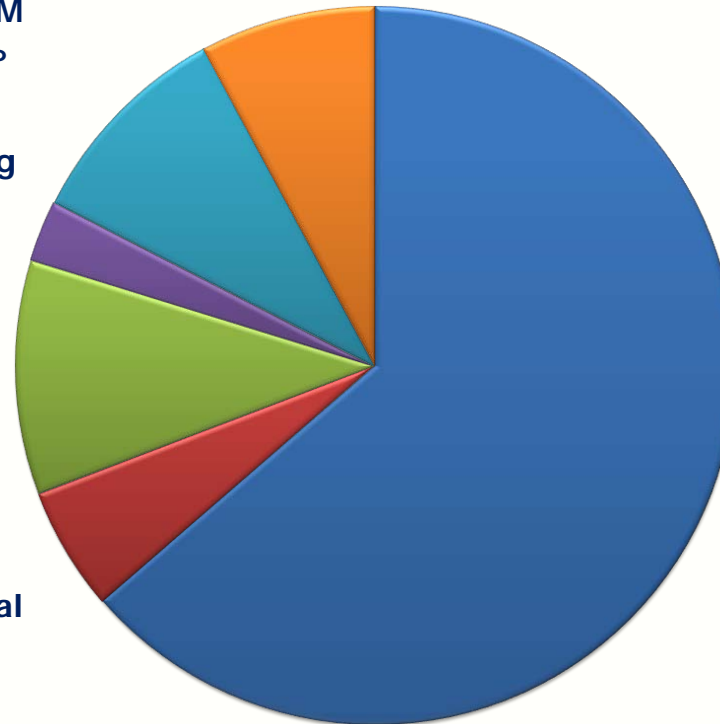
**Traditional
Medical/Surgical**
\$356M
8%



Web-based Catalog
\$124M
3%

**Medical/Surgical
Prime Vendor**
\$477M
10%

**Traditional
Pharmaceutical**
\$252M
5%



**Pharmaceutical
Prime Vendor**
\$2,885M
64%

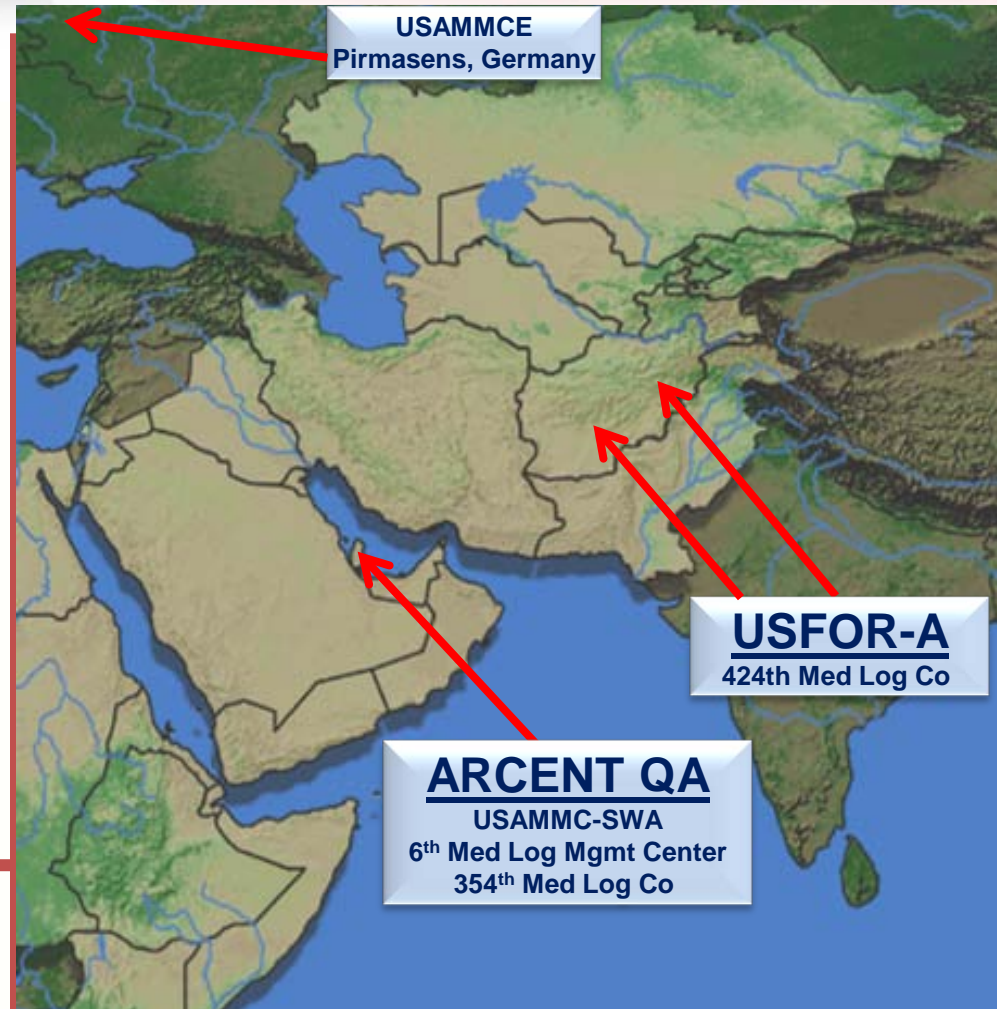




Class VIII Support to Afghanistan

Concept

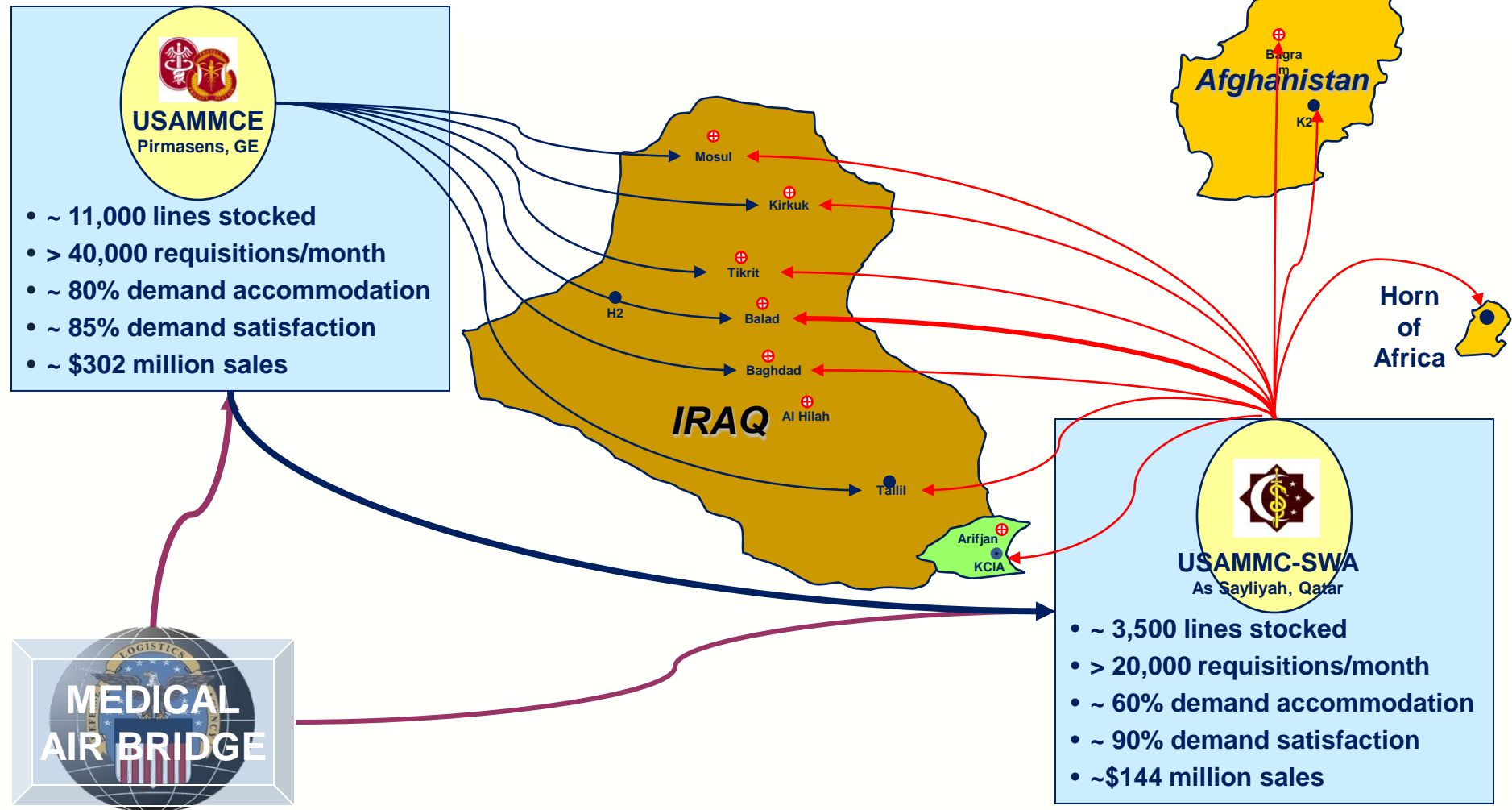
- U.S. Army Medical Materiel Center Europe (USAMMCE), Germany
 - Serves as the Prime Vendor Class VIII source of supply to Qatar
 - Medical Surgical & Pharmacy items
- U.S. Army Medical Materiel Center Southwest Asia (USAMMC-SWA), Qatar
 - Serves as the strategic Class VIII source of supply to CENTCOM
- Primary distribution centers:
 - 424th Med Log Co: Serves as Supply Support Activity for Level I & II units providing all medical logistics core competencies





TLAMM Support to CENTCOM

(Current operations drive high numbers of Class VIII demands; reinforcing the importance of the "customer facing" role at USAMMCE and USAMMC-SWA)



Readiness Management Application



Kits / Assemblies



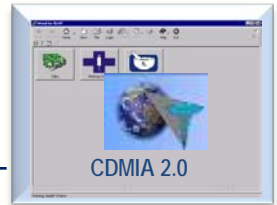
Commercial Sales Data

Contingency Requirements

Pharmaceutical Equivalents



Prime Vendor Sales To DoD



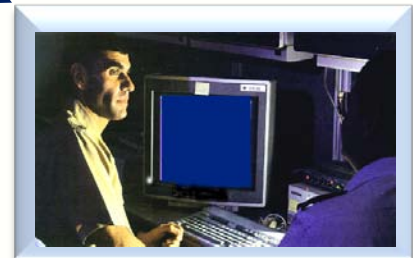
DoD Cataloging Information



CardinalHealth

Medical Surgical Equivalents

Contingency Contracts



ECAT

Situational Awareness

- What we need
- Where we can get it
- What we can substitute



Layered Logistics Support Strategy

Ongoing

Surge

Sustainment

- Prime Vendor
- Depot
- Direct Vendor Delivery
- Electronic Data Interface

- Service Stock
- Vendor Managed Inventory (Service Owned)
- PV Surge

Warstopper Funded

- **Contingency Contracts**
 - Corporate Exigency Contracts (CEC)
 - Vendor Managed Inventory (DLA Owned)
 - PV WRM
 - IBMC

PLUS

PLUS

*Warstopper Funding
Key Enabler*

New Acquisition

*Opportunity
For
Improvement*

Desert Storm

Depot Stock

8%

New Acquisition

92%

Contingency Contracts

30%

PV Surge

7%

Depot Stock

9%

Today - 2009

New Acquisition

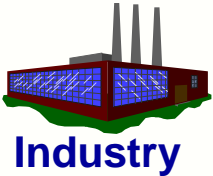
39%

Prime Vendor

15%



DSCP

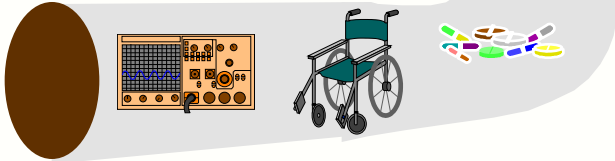


Industry



Depot

Procurement



Patient



COMMERCIALIZATION EFFICIENCIES

Personnel	→	50.5% reduction in personnel
Operations	→	80.4% reduction in depot storage costs
Stockage	→	66.5% reduction in inventory
Administrative Lead-time	→	90.5% reduction in administrative lead-time
Procurement Lead-time	→	86.6% reduction in procurement lead-time
Backorders	→	48% reduction in the value of backorders
Price Reductions	→	42.7% below average wholesale price for pharmaceuticals
Discrepancy Reports	→	100% reduction in the number of product discrepancy reports.
Distribution Efficiencies	→	-5.33% distribution fee Returns ~\$14M/Year to
Customer Choice	→	2,200% increase in variety of items for immediate delivery.
Responsiveness	→	CONUS – 24 hour LRT Europe/SWA – 4-7 days Pacific – 5-7 days



On Our Horizon

- Continue To Exploit Information Technology & Commercial Capabilities
 - Product Data Bank—Clean Data & Metadata For Medical/Surgical Items To Allow Rapid Product & Price Comparison
 - Single Master Catalog
 - Assist Customer In Making Optimum Purchasing Decisions
 - Expand 3PL Support To Handle Spikes In Assembly/Kitting Needs
 - Generation IV Prime Vendor To Keep Pace With Commercial Partners
 - Controlled Substance Ordering System To Automate & Improve Control of Narcotics



Questions?



USNS Mercy and USS Abraham Lincoln
Indian Ocean