



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #435

### Personal Protective Equipment Stockpile (Health Services -- Public Health)

[LFB 2023-25 Budget Summary: Page 269, #2]

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#### CURRENT LAW

Within the DHS Division of Public Health, the Office of Preparedness and Emergency Health Care (OPEHC) works to prevent and mitigate public health threats and emergencies. The statutes direct DHS to develop and implement a statewide trauma care system and establish regional trauma advisory councils as part of the system. OPEHC also facilitates Wisconsin's seven regional healthcare emergency readiness coalitions (HERCs), comprised of hospitals, healthcare organizations, and public health agencies, that collaborate to help communities prepare for, respond to, and recover from adverse health effects of emergencies and disasters.

Pre-dating the COVID-19 pandemic, OPEHC maintains an emergency stockpile of medical supplies. This stockpile includes personal protective equipment (PPE), cots, and other items that may be needed in an emergency. PPE in the medical stockpile includes surgical face masks, respirators, eye shields, gloves, and gowns. In the event of an emergency or supply chain interruption, items from the stockpile are available at no charge to hospitals, long-term care facilities, clinics and other healthcare providers that are not able to acquire necessary supplies through other means.

During the COVID-19 pandemic, OPEHC significantly expanded stockpile operations to meet increased demand for PPE and other supplies, respond to widespread supply chain disruptions, and meet new needs such as COVID-19 testing. OPEHC hired 5.0 FED project staff to support warehouse operations, contracted for expanded warehouse capacity and associated services, and purchased large amounts of supplies. These expanded operations have been supported by several sources of supplementary federal funding provided on a one-time basis in response to COVID-19, including under the American Rescue Plan Act (ARPA). OPEHC has also relied on significant collaboration with other offices within DHS, Wisconsin Emergency

Management within the Department of Military Affairs, and multiple federal agencies.

The U.S. Department of Health and Human Services, Administration for Strategic Preparedness and Response, maintains a Strategic National Stockpile of PPE and other medical supplies for emergency preparedness as well. Governors or their designees can request assistance from the national stockpile when they determine their state does not have the needed supplies to respond to an emergency or other disruption. In addition to PPE, the national stockpile can provide drugs such as antibiotics and vaccines, equipment, and other medical supplies. The national stockpile may provide supplies directly from their stock or coordinate with commercial suppliers or other federal agencies to make the needed supplies available. The national stockpile provided a significant amount of PPE and other supplies to Wisconsin's stockpile operations during the COVID-19 pandemic.

Prior to the COVID-19 pandemic, the stock in the DHS stockpile was limited. A primary purpose of the stockpile was to stand ready to receive, stage, and distribute supplies received from the strategic national stockpile in the event of an emergency.

## **DISCUSSION POINTS**

1. Assembly Bill 43 and Senate Bill 70 would provide \$1,346,300 GPR in 2023-24 and \$15,849,000 GPR in 2024-25 in a new biennial appropriation to maintain a state stockpile of personal protective equipment (PPE) for emergency preparedness. This funding reflects \$1,346,300 per year for the rent, staffing, and operations of a warehouse and \$14,502,700 in 2024-25 for the purchase of PPE.

2. The number and types of supplies that may be needed from a centralized stockpile of PPE for any emergency event would depend on several factors, including the number and type of facilities affected, the nature of the emergency, and the time it takes for providers to find alternative sources of supplies. In many cases, an interruption may be limited to two weeks or less and affect only facilities of a certain type or in a certain location before normal supply chains are able to recover or adjust to meet the new demand. In other cases, as seen during the COVID-19 pandemic, shortages may be widespread and take months to resolve. DHS estimates that the number of N-95 respirators, face masks, protective gowns, gloves, face shields, safety goggles, and coveralls to meet the needs of every facility in the state for 60 days would consist of 14.3 million individual pieces of PPE and cost \$14,502,700 to acquire.

3. Ongoing acquisition expenditures will depend on the frequency and scale of distributions made from the stockpile, as well as costs to replace items as they reach the end of their shelf life. Distributions were large and frequent during the height of the viral activity and supply chain disruptions of the COVID-19 pandemic. During the two-year period from March, 2020, through February, 2022, the stockpile distributed over 80 million pieces of PPE, with a total value of approximately \$80 million. Distributions have since slowed considerably, although a base level of demand continues and there have been occasional surges in response to viral activity or supply chain events. From March, 2022, through March, 2023, the largest such surge was in September of 2022; in that month the stockpile distributed 209 orders, consisting of 2.8 million pieces of PPE with a total acquisition cost of \$1.9 million. Distributions quickly returned to a lower level following this surge.

In the four months from December, 2022, through March, 2023 (the most recent months for which data is available), the stockpile fulfilled an average of 21 orders per month, distributing an average of 327,000 million pieces of PPE per month with an average acquisition cost of \$93,400 per month.

4. Long-term health care providers, including skilled nursing facilities, nursing homes, assisted living facilities, and home health care agencies, account for the majority of supplies distributed from the stockpile. From March, 2022, through March, 2023, these facilities accounted for 60% of total distributions by acquisition cost, followed by local and tribal government agencies such as health departments and emergency management agencies (15%), state agencies (7%), and hospitals and clinics (7%). Other recipients include schools, shelters and nonprofit organizations, veterinarians (primarily in connection to the avian influenza outbreak affecting poultry), higher education, and childcare providers. The pattern of distributions was similar in the period since the latest surge in volume: limited just to December, 2022, through March, 2023, long-term health care providers account for 64% of distributions, local governments 9%, state agencies 7%, and hospitals and clinics 7%.

5. The Administration forecasts a decline in distributions in the 2023-25 biennium relative to the past year as surges in demand become less frequent. However, DHS notes that emergency events, such as new outbreaks or supply chain disruptions, could occur at any time and predicts that some base level of distributions will continue as organizations, especially smaller facilities, face ongoing supply chain challenges. There may continue to be strong demand from long-term health care providers, similar to the current level, depending on those organizations acquisition practices. If the level of distributions in the most recent four months approximates the average level of distributions in the 2023-25 biennium, the stockpile would distribute 3.9 million pieces of PPE per year, with an acquisition cost of approximately \$1.1 million per year.

6. Ongoing distributions are only one aspect of a stockpile, which would also be designed and funded to maintain a large amount of PPE ready to respond to a major event such as a pandemic. DHS indicates that present stocks are low, and would in the main part be used or expire by the end of the 2021-23 biennium. Hence, creating an ongoing stockpile would require one-time expenditures to acquire the desired level of supplies. If a major incident does not occur, ongoing costs in subsequent years would be lower, requiring funds only to replace items as they expire or are distributed. Depending on the scale of the stockpile, inventory could be managed so that replacing items distributed under the base level of ongoing distributions discussed above would reduce the need to replace expiring items.

7. The table below shows DHS's estimates of the number of items required to meet the state's PPE needs for 60 days and the initial acquisition costs.

## Estimated 60-Day PPE Stockpile

	<u>Count of Items Needed</u>	<u>Acquisition Cost</u>
N-95 Respirator	672,700	\$650,600
Mask, Non-Surgical	3,605,500	428,000
Protective Gown	1,740,900	10,486,000
Gloves	7,694,700	715,600
Face Shield	351,700	1,055,000
Eye Protection	21,200	42,400
Coverall	<u>181,200</u>	<u>1,125,100</u>
 Total	 14,267,900	 \$14,502,700

8. The shelf life for these items varies, but is primarily between three and five years. Some items may have longer shelf lives, including protective gowns, which account for most of the cost of the stockpile. While the actual shelf life and replacement costs will depend on the specific products and prices available in future years, if the average time to replacement across all items was five years the stockpile would require ongoing funding of \$2.9 million per year to maintain items in good condition at current prices.

9. Maintaining a stockpile can carry high costs with limited benefits in years in which no major incident occurs. However, stockpiles may create net savings in the long term by avoiding the need to purchase large amounts of supplies during crises when demand, and prices, are high. Researchers at the University of California, Berkeley estimate that acquiring PPE in advance would cost 17% of the cost to acquire the same supplies on short notice at the start of a pandemic. The research also estimates that costs to maintain a stockpile would be less than emergency acquisition costs if it is used within 35 years. An immediately-available stockpile can also create other state savings when a crises occurs, such as reducing unemployment claims.

10. The Strategic National Stockpile (SNS) may meet some of Wisconsin's needs for emergency supplies of PPE. As of October, 2022, the SNS reported an inventory including 538 million N-95 respirators, 4.8 billion gloves, 274 million face masks, 11.8 million face shields, 59.6 million surgical gowns and coveralls, and 7.6 million goggles. If the estimated volume of PPE needed for a 60-day supply in Wisconsin was the same in proportion to population in every state, this inventory would represent at least a 30-day supply for the entire country, and significantly larger supplies for some items, such as N-95 respirators and gloves.

11. During the COVID-19 pandemic, particularly in 2020, the SNS was not able to provide the requested amounts of PPE. Facilities across the country experienced shortages, and states expended large amounts of money, including federal relief funds, to purchase PPE at elevated prices. The SNS reports that they have greatly increased stock of N-95 respirators compared to pre-pandemic levels, and have added other types of PPE that were not previously included in the SNS. However, the SNS does not guarantee that a certain amount of any particular type of PPE will continue to be maintained in the stockpile or will be available to Wisconsin specifically in the future. A state stockpile may also provide a more rapid response than the SNS and greater flexibility in determining when supplies are distributed.

12. The level of funding and capacity of the DHS stockpile prior to the COVID-19 pandemic was minimal. Annual expenditures for storage and transportation totaled \$33,000. DHS indicates that the few supplies available dated from the H1N1 and Ebola outbreaks, and that they were expired and in poor condition.

13. Adequate PPE is essential to responding to and mitigating many different emergencies, including contagious outbreaks. If facilities cannot acquire appropriate PPE they may in some cases be forced to use ill-suited substitutes, such as trash bags in place of protective garments. In other cases, no substitutes are available, and facilities must either put their employees and patients at risk of exposure or reduce or suspend their operations. This can limit the availability of essential health care workers and limit access to needed care.

14. A PPE stockpile also provides a financial benefit to facilities by providing supplies free of charge during crises events when facilities' other costs may be unexpectedly high. This support, along with the ongoing support of the base level of ongoing distributions described above, may have a particularly large impact on long-term care providers and smaller facilities that lack financial reserves or operational capacity to absorb the impacts of a crisis.

15. To ensure availability of a 60-day supply of PPE, the Committee could provide \$1,346,300 GPR per year for the rent, staffing, and operations of a warehouse and \$14,502,700 GPR in 2024-25 for the purchase of PPE, as proposed in AB 43/SB 70. This would create base funding of \$15,849,000 GPR per year in the 2025-27 biennium, which could be revised in the 2025-27 biennial budget to reflect updated estimates of the cost to maintain the stockpile at that time. [Alternative 1]

16. In recognition of the expectation that costs to maintain the stockpile will be lower than the initial costs to acquire the full amount of supplies, the Committee could provide one-time funding for any portion of the costs. For example, the Committee could provide \$1,346,300 GPR in ongoing funding beginning in 2023-24 for the rent, staffing, and operations of a warehouse, \$3,000,000 GPR in ongoing funding beginning in 2024-25 to reflect an estimated annual cost to replenish supplies that expire or are distributed, and the remaining \$11,502,700 GPR in 2024-25 as one-time funding. This would create base funding of \$4,346,300 GPR per year in the 2025-27 biennium, which again could be revised in the 2025-27 biennial budget to reflect updated estimates of the cost to maintain the stockpile. [Alternative 2]

17. As an alternative to making a preliminary determination of the ongoing funding needs to maintain the stockpile at this time, the Committee could provide only the \$1,346,300 GPR per year for rent, staffing, and operations of a warehouse on an ongoing basis, and provide the full \$14,502,700 GPR in 2024-25 for the purchase of a 60-day supply of PPE as one-time funding. This will create an obligation to provide some additional amount of ongoing funding in the 2025-27 budget if the stockpile is to be maintained. [Alternative 3]

18. The Committee could also determine that a smaller stockpile would provide a sufficient level of preparedness. For example, a 30-day supply of PPE may be sufficient in some cases where supply chain issues can be resolved in that amount of time, or for incidents that affect only a portion of the state or certain types of facilities. In other cases, this supply may be exhausted before other sources of PPE become available. In addition to the \$1,346,300 GPR per year for rent, staffing, and

operations of a warehouse, \$7,251,400 GPR in 2024-25 would be sufficient to acquire a 30-day supply of PPE. Similar to Alternatives 1, 2, and 3, the Committee could provide any of this acquisition amount as one-time funding. For example, providing half (\$3,625,700 GPR) as ongoing funding could provide sufficient base funding in future years to gradually expand the capacity of the stockpile to a 60-day supply. [Alternative 4]

19. The Committee could determine that a stockpile that meets the current level of ongoing requests, but does not acquire a significant amount of supplies beyond this level, is sufficient. Acquisition costs under this Alternative would be \$1,100,000 GPR per year, as described under Discussion Point 5, beginning in 2024-25. In light of the reduced size of this stockpile, rent and operations costs would likely be reduced, and are estimated to be \$890,000 GPR per year. [Alternative 5]

20. In anticipation of sufficient PPE being provided to Wisconsin by the Strategic National Stockpile in the event of an emergency, the Committee could take no action regarding a state stockpile. [Alternative 6]

**ALTERNATIVES**

1. Provide \$1,346,300 GPR in 2023-24 and \$15,849,000 GPR in 2024-25 to acquire, maintain, and operate a state stockpile of PPE. Create a biennial appropriation in the Division of Public Health for this purpose. Modify statute to authorize DHS to establish and maintain the stockpile and fund storage and warehousing costs.

ALT 1	Change to Base
GPR	\$17,195,300

2. Provide \$1,346,300 GPR in 2023-24 and \$15,849,000 GPR (\$4,346,300 GPR in ongoing funding and \$11,502,700 GPR in one-time funding) in 2024-25 to acquire, maintain, and operate a state stockpile of PPE. Create a biennial appropriation in the Division of Public Health for this purpose. Modify statute to authorize DHS to establish and maintain the stockpile and fund storage and warehousing costs.

ALT 2	Change to Base
GPR	\$17,195,300

3. Provide \$1,346,300 GPR in 2023-24 and \$15,849,000 GPR (\$1,346,300 GPR in ongoing funding and \$14,502,700 GPR in one-time funding) in 2024-25 to acquire, maintain, and operate a state stockpile of PPE. Create a biennial appropriation in the Division of Public Health for this purpose. Modify statute to authorize DHS to establish and maintain the stockpile and fund storage and warehousing costs.

<b>ALT 3</b>	<b>Change to Base</b>
GPR	\$17,195,300

4. Provide \$1,346,300 GPR in 2023-24 and \$8,597,700 GPR (\$4,972,000 GPR in ongoing funding and \$3,625,700 GPR in one-time funding) in 2024-25 to acquire, maintain, and operate a state stockpile of PPE. Create a biennial appropriation in the Division of Public Health for this purpose. Modify statute to authorize DHS to establish and maintain the stockpile and fund storage and warehousing costs.

<b>ALT 4</b>	<b>Change to Base</b>
GPR	\$9,944,000

5. Provide \$890,000 GPR in 2023-24 and \$1,990,000 GPR in 2024-25 to acquire, maintain, and operate a state stockpile of PPE. Create a biennial appropriation in the Division of Public Health for this purpose. Modify statute to authorize DHS to establish and maintain the stockpile and fund storage and warehousing costs.

<b>ALT 5</b>	<b>Change to Base</b>
GPR	\$2,880,000

6. Take no action.

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