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CONFIDENTIAL TREATMENT REQUESTED

May 18, 2020

The Honorable Elizabeth Warren
United States Senate
9 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Richard Blumenthal
United States Senate
706 Hart Senate Office Building
Washington D.C. 20510

Re: April 27, 2020 Letter to Owens & Minor, Inc.

Dear Senator Warren and Senator Blumenthal,

On behalf of Owens & Minor, Inc. (“Owens & Minor” or “the Company”), we are writing in response to your letter of April 27, 2020 (“the Letter”), regarding Project Airbridge and the distribution of Personal Protective Equipment (“PPE”) during the COVID-19 pandemic. The Company appreciated the opportunity to provide a briefing to members of your staffs on May 7, 2020, where Owens & Minor representatives provided an overview of health care distribution in the U.S., including the impact of the COVID-19 pandemic on supply and demand, and addressed the questions in your Letter.

Founded in 1882 in Richmond, VA, Owens & Minor is a global healthcare solutions company with three integrated business pillars—Distribution, Products, and Services—aligned to deliver sustained value to the healthcare industry. The Company has over 17,000 teammates worldwide serving over 4,000 healthcare providers in 90 countries from our over 125 facilities.¹

The Company’s Global Product Business offers an industry leading portfolio of proprietary, self-manufactured surgical and PPE products under our HALYARD brand supported by a vertically-integrated supply chain with a predominantly North American based footprint. The

¹Owens & Minor currently intends to divest a portion of its business operating in the United Kingdom and European Union that provides logistics services to customers in those markets. That transaction is expected to close in early June, 2020, following which the total number of employees will be approximately 15,000.

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Americas footprint ensures reliability of supply of critical HALYARD brand PPE and other products to the U.S. healthcare market. The Company manufactures most of its proprietary products in Company-owned and operated facilities.

Owens & Minor's services businesses include a variety of technology solutions as well as labor and consulting expertise provided within acute care settings. These services include inventory management, kitting, and data analytics associated with acute care supply chain management and efficiency.

Owens & Minor's Distribution Business includes a variety of activities centered on the purchase, warehousing and resale of products to acute hospitals, non-acute care settings or to home-health patients at their residence. Across its businesses, the Company has over 7 million square feet of distribution space in 52 distribution centers. The Company's distribution network enables it to be within a four-hour delivery time of over 90 percent of the U.S. population. Owens & Minor distribute its own HALYARD brand products as well as over 360,000 SKUs from approximately 1,400 third-party healthcare manufacturers.

By aligning and integrating its three business pillars Owens & Minor fulfills its mission of "Empowering our Customers to Advance Healthcare."

The following portion of this letter is a summary of the briefing Owens & Minor representatives provided to your respective staffs.

The COVID-19 pandemic has caused an unprecedented demand for PPE products globally. While Owens & Minor's PPE manufacturing predominantly occurs in the Americas (in particular for N95 respirators, surgical and procedure masks, and isolation gowns), the vast majority of PPE used in the U.S. market is manufactured and sourced from China or Southeast Asia.² As a result, the U.S. healthcare system is reliant on Chinese manufacturing and shipment and this reliance has been exposed and stressed in the COVID-19 pandemic.

² Owens & Minor sources certain products from China and other Asian countries as well, mainly gloves and certain gowns.

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Early in 2020, the COVID-19 pandemic was spreading in China. This spread, coupled with increased demand for PPE within China and the timing of annual manufacturing shutdown associated with the Chinese lunar new year, caused China-based manufacturing and shipping of PPE to the U.S. to substantially reduce output and/or close completely. As a result, the supply of PPE products into the U.S. began to slow significantly and created an impending cessation in the delivery of critical supplies to the U.S. In response, Owens & Minor ramped up its manufacturing of PPE products at its Americas-based facilities in February increasing its n95 respirator mask production by 300 percent, standard mask production by 50 percent and isolation gown production by 300 percent. Owens & Minor now produces an additional 50 million masks and respirators per month. However, by March, it became clear that the supply of PPE could not meet the COVID-19 related increased demand of the U.S. market, due in significant part to the continued closure of manufacturing and shipping facilities in China.

As Owens & Minor described in the briefing to your staffs, representatives of Owens & Minor, with other distribution companies, began participating in teleconferences led by Department of Health and Human Services (“HHS”) staff in mid-March to discuss the supply and distribution of PPE products in the U.S. Shortly thereafter, the Federal Emergency Management Agency (“FEMA”) Supply Chain Task Force (“FEMA Task Force”) took the lead in organizing these teleconferences, which were focused on identifying problems in the supply of PPE, including understanding the sources of PPE, lead-time in shipping PPE products by sea³ (the typical mode of transport for PPE) from China to the U.S., and how medical products are distributed to hospitals and health care providers across the country. Toward the end of March and into early April, the manufacturing of PPE in China was beginning to resume, but the time it typically takes for product to ship by sea from manufacturers in China meant that there would be a 30 to 60 day gap in that critically needed product reaching the U.S.⁴ Moreover, product value and market cost pressures effectively prevent the commercial use of air freight to move product from Asia to the U.S.

³ In the U.S. medical/surgical distribution industry, PPE manufactured outside of the U.S. is transported by sea and not air because the market price of PPE does not support the additional costs associated with air freight (in many cases the cost of air freight and associated costs can be more than the selling price of the PPE shipped). Sea freight allows for an unlimited amount of PPE due to the widespread availability of sea freight whereas air freight is constrained and air shipments can hold only a fraction of one sea freight shipment.

⁴ In ordinary course supply/demand, the typical manufacturing cycle for PPE in China from order to delivery to customers in the U.S. is approximately 90-120 days which includes 30-45 days of sea freight shipping time.

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healthcare market. The FEMA Task Force made the decision to accelerate this process through the use of air shipment, rather than sea cargo. This initiative is commonly referred to as “Project Airbridge.” Owens & Minor and FEMA entered into a Memorandum of Agreement (“MOA”) on March 30, 2020, to memorialize Owens & Minor’s participation in Project Airbridge.

Under Project Airbridge, FEMA provides for air transport of PPE into the U.S. from foreign countries where PPE is manufactured or sourced. Under the MOA, Owens & Minor does not reimburse the U.S. government for the costs of the air transport for Project Airbridge shipments. However, Owens & Minor is responsible for all product costs as well as all costs associated with packaging the product for air shipment, transporting the product to the airfields of departure, receiving the product in the U.S. and transporting from the arrival airports to the Company’s distribution centers. As Owens & Minor explained to your staffs during the May 7 briefing, the increased costs to Owens & Minor associated with the packaging, transport and logistics for product shipped via air freight (which is very different than shipping by sea freight) has functionally offset any benefit of government-funded air freight.

For that PPE shipped to the U.S. through Project Airbridge, as provided in the MOA, at least 50 percent of the shipments must be distributed to Owens & Minor’s customers in “hot spots” which are designated by the FEMA Task Force and updated regularly; Owens & Minor is in close communication with its customers within the designated hot spot to determine the PPE products those customers need and in what amounts. The number and type of products that comprise the shipments to FEMA-designated hot spots is determined by the number of PPE units per PPE product type in the Airbridge shipment. The remaining PPE not distributed to hot spots is distributed to Owens & Minor’s customers in other locations across the U.S. The prices for PPE products charged by Owens & Minor to customers is determined by agreements that were generally negotiated and agreed to with Group Purchasing Organizations (“GPOs”) on behalf of their health care members prior to the COVID-19 pandemic and the implementation of Project Airbridge; Owens & Minor has not renegotiated these agreements and has continued to honor its GPO-contract prices. As explained to your staffs, Owens & Minor does not sell products to the “highest bidder.”

As of May 12, 2020, Project Airbridge flights have transported approximately 320 million units of PPE for Owens & Minor, which the Company in turn distributed to its U.S. customers. To put this in perspective, since February 1, 2020, Owens & Minor has delivered over *three billion*

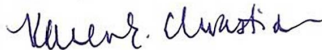
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units of PPE to U.S. health care providers. During the briefing with your staff, staff asked whether Owens & Minor was aware of reports of seizure of product by any federal, state, or local entities. As the Company representatives explained, Owens & Minor is not aware of its product being seized by any federal, state, or local entity.

Owens & Minor is proud of the assistance it offered its U.S. customers through Project Airbridge to accelerate the delivery of product to those areas that were hardest hit by the COVID-19 pandemic. The Company also appreciated the opportunity to brief your staffs and answer questions about its distribution business and response to the pandemic. Please do not hesitate to contact us with any questions.

Sincerely,



Karen Elizabeth Christian
Raphael Adam Prober