■ National Security

Reviving the Medical Industrial Base

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SUMMARY

Guarding the health of Americans is a national security imperative. Yet within weeks of a global conflict or another pandemic, Americans could lose access to many of their most essential medicines and medical supplies. Worse still, the US medical industrial base is so atrophied that it would struggle to scale up to meet demands even in the direst circumstances. Recognizing this risk, policymakers have charged the Department of Health and Human Services (HHS)'s Administration for Strategic Preparedness and Response (ASPR) with rebuilding the medical industrial base. ASPR, however, lacks the capabilities to fulfill this mandate and reinvigorate this base.

The Trump administration and Congress should remedy this problem by increasing ASPR's autonomy and expanding its capabilities to kickstart and sustain domestic production. Likewise, legislative reform should grant ASPR permanent, independent access to funds and allow it to use more forward-looking contracting and procurement avenues. The result of these reforms would be a civilian medical preparedness agency that can take swift, decisive, and

proactive action to rebuild the medical manufacturing base and secure Americans' healthcare against biomedical and geopolitical risks.

PROBLEM

The US healthcare system's dependence on fragile medical supply chains—which often lead back to China—threatens the health and security of the American people in the event of a global conflict or another pandemic. Securing medical supply chains requires an effective industrial policy to expand domestic production capacity. Policymakers have assigned this responsibility to ASPR, which oversees the Biomedical Advanced Research and Development Agency (BARDA) and manages the Strategic National Stockpile (SNS) of medical supplies and countermeasures. Though ASPR may have the mandate to expand the medical industrial base, it lacks the methods and means to do so.

Despite its critical responsibilities, ASPR remains entangled in a bureaucratic morass and suffers from piecemeal funding and procurement. The clearest example of this failure is that ASPR cannot make independent stockpiling decisions for the SNS and instead must defer to the Public Health Emergency Medical Countermeasures Enterprise (PHEMCE), an interagency body that is technically subordinate to ASPR. PHEMCE's recommendations have often prioritized countermeasures for very rare threats, such as a smallpox outbreak, over basic supplies for civilian medical preparedness. Likewise, ASPR relies on case-by-case Department of Defense (DOD) approvals to use Defense Production Act (DPA) Title III funds for medical base expansion.

Beyond these bureaucratic complications, ASPR lacks the tools necessary to forge each link of a secure, domestic supply chain, from raw material production to advanced manufacturing at scale. ASPR cannot enter into pre-purchase agreements or automatic contracts with trusted suppliers to keep stockpiles filled; its use of expedited procurement pathways, such as Other Transaction Authority (OTA), is limited to BARDA funding for specific medical countermeasures. ASPR's procurement is largely subject to Federal Acquisition Regulation (FAR) constraints. Its funding depends on yearly appropriations, limiting its ability to plan ahead or make long-term commitments to American producers.

SOLUTION

Policymakers should empower ASPR to make swift decisions and execute a successful medical industrial policy to scale up domestic production and reshores supply chains. Many crucial actions would require only HHS directives, internal ASPR policy changes, and limited White House action. Only Congress, however, can give ASPR the resources and authorities it needs to consistently and proactively develop the medical industrial base.

Executive

- The White House should take action to streamline interagency coordination. The White House should issue an executive order requiring ASPR to integrate its Inventory Management and Automated Tracking System (IMATS) with DOD and Department of Homeland Security inventory systems.
- HHS should reduce bureaucratic redundancies, expand funding options, and authorize long-term funding flexibility. First, HHS should order ASPR to disregard PHEMCE's stockpiling recommendations and establish its own internal procurement board on an interim basis. HHS should also issue a directive extending ASPR's Other Transaction Authority for Advanced Research (OTAR), mostly reserved to BARDA, to IBMSC and the SNS for research contracts. Critically, HHS should ask the Office of Management and Budget to reclassify ASPR's entire budget as no-year funds, allowing the agency to carry over appropriations indefinitely and plan to make longer-term contracts and funding commitments. Finally, HHS should direct the Center for Medicare & Medicaid Services to reimburse hospitals for the purchase of 100 percent domestically sourced and manufactured medical supplies, and to phase in a requirement that at least 25 percent of all supplies be domestic products.
- ASPR must continue to improve data collection and modernize its internal systems. ASPR should allocate current SNS funds for further IMATS modernization with the express purpose of achieving real-time inventory tracking capability. Furthermore, ASPR should request proposals for an AI-based analytics platform to enable predictive inventory management and inform proactive stockpiling. Lastly, ASPR should begin to develop a preapproved vendor system and qualification process to expedite contracting when Congress authorizes new procurement pathways.

Congressional

- The House Energy and Commerce Subcommittee on Health should clarify ASPR's relationships in and outside of government and authorize agility in procurement and industrial base expansion. Congress should permanently relegate PHEMCE (or a reconfigured successor body) to an advisory capacity and impose a fixed structure for the new ASPR internal procurement board. Most importantly, Congress should empower ASPR to use a robust arsenal of non-traditional procurement processes, including Advance Market Commitments, milestone-based contracts, and pre-purchase agreements, and allow for the automatic activation of these contracts. Each of these pathways can support specific segments of the domestic supply chain and enable ASPR to replenish the SNS automatically as products expire. Lastly, Congress should create a permanent, independent OTA for ASPR that can be used to procure novel medical countermeasures as well as critical inputs produced domestically using new methods.
- The House Oversight and Accountability Committee should formally authorize ASPR's creation of a pre-approved vendor list and enact a permanent FAR waiver for vendors that meet the agency's criteria.

- The House Appropriations Committee Subcommittee on Labor, Health and Human Services, and Education should establish a long-term funding stream for ASPR's industrial base expansion projects. Adequate resourcing for an industrial base build-up requires the creation of a dedicated Medical Industrial Base Resilience Fund to support the SNS and ASPR's Office of Industrial Base Management and Supply Chains on a basis of 5–10 years.
- The House Financial Services Committee should amend Section 303 of the Defense Production Act to grant ASPR permanent access to DPA Title III authorities without the need for case-by-case approvals from DOD and the White House.

JUSTIFICATION

Decades of offshoring left America's medical industrial base unable to meet the Covid-19 pandemic's immediate demands for medical supplies—and unable to scale up production in time to mitigate most shortages, despite significant government investments. Instead, the healthcare system relied on tenuous overseas supply chains, which led to surging imports from China, the only country with the industrial capacity to meet the scale of US demand. At the pandemic's peak, China's share of all US personal protective equipment (PPE) and durable medical equipment imports exceeded 50 percent, up by over 20 percentage points from 2019. China still remains dominant in the global PPE supply chain, having cornered the market during the pandemic through hoarding, nationalizations, and an aggressive industrial build-up. Today, Chinese producers supply 91 percent of medical gloves and 83 percent of surgical textiles imported to the United States.

Dependence on foreign supply chains has become deeply entrenched. Today, the US imports up to 60 percent of active pharmaceutical ingredients (APIs) from China and India. Imports also represent 71 percent of biologics and 43 percent of medical devices sold in the United States, while 78 percent of active pharmaceutical ingredient (APIs) manufacturers are based overseas. China supplies many critical inputs, such as precursor chemicals, to other overseas producers of medical goods; for example, it supplies 80 percent of the chemicals that India uses to produce pharmaceuticals.

Dependence and vulnerability have worsed amid a failed US government response. Historically, ASPR has functioned more like the "Administration for Response," reacting to public health emergencies rather than proactively preparing for them. Even when reacting to a crisis, ASPR and other public health agencies failed to complete industrial base expansion projects. Many of the industrial projects funded during the pandemic stalled entirely after emergency funds and short-term appropriations lapsed. In 2022, ASPR was elevated to full agency status within the department and endowed with the Office of Industrial Base Management and Supply Chains. But even as it has grown, ASPR has failed to demonstrate progress in adding medical manufacturing capacity.

Preparing for medical risks must be taken as seriously as preparing for defense, and America cannot afford to be reactive any longer. Amid a potential confrontation, China could cut off the American healthcare system from its most essential supplies and disrupt its supplies. At that point, the US would have no time to build up medical

industrial capacity before a public health disaster ensued. America's national security depends on rebuilding the medical industrial base—and reforming ASPR in order to do so. ■

FURTHER RESOURCES

- Garrett Murch and Scott Maier, "Medical Manufacturing: A Critical Supply Chain at Risk," *American Affairs*, 2025
- Janika Schmitt and Jake Swett, "The Triple Rapid Framework for Pandemic Diagnostics," Institute for Progress, 2024
- Olivia Webb Kosloff, "A National Defense Strategy for Generic Drugs," *American Affairs*, 2024
- Michael Lind, Jon Camola, and Anita D'Souza, "Leveraging Federal Procurement Policy to America's Supply Chains," *American Affairs*, 2022
- Nikki Terran, "Explaining Biden's Pandemic Preparedness Budget: ASPR," Institute for Progress, 2022
- Nikki Terran, "Why BARDA Deserves More Funding," Institute for Progress, 2022

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