Unless the procurement of drugs is handled more efficiently and economically, the bills will be so high as to constitute a heavy burden upon the entire population.

The only way to insure that Government agencies will secure the best product at the best price is to foster free and open competition in procurement. Purchases by generic name is the only method by which such competition can be achieved.

For some years the Defense Supply Agency, which procures drugs for the Department of Defense, and the Veterans' Administration have been buying drugs on a generic basis by competitive bidding, when drugs involved were not limited by a patent or exclusive license to one firm. Inclusion of foreign bidders since 1959 for procurement of *tetracycline*, one of the broad-spectrum antibiotics, and other drugs has drastically reduced bids of both domestic and foreign suppliers.

For example, in December 1959, the Military Medical Supply Agency bought 57,600 units of *tetracycline* from an Italian firm at $8.15 net a unit. The lowest domestic price offer was $16.75, more than twice the cost. By June 1961, the low foreign bidder had come down to $4.77. Pfizer, the low domestic offerer, came down to $6.07. By May 1962, an Italian firm quoted a price of $2.82. Awards were made later in the year at even less. Consequently the Department of Defense saved more than $1¼ million on this one drug.

The Veterans' Administration had similar experience. Foreign drug prices represented 80 percent savings on *meprobamate*, better known as Miltown, the tranquilizer, and 73-percent savings on *tetracycline*.

Although the Veterans' Administration continues to procure many drugs abroad, I regret to say that the Department of Defense has curtailed its foreign drug purchases. I hope this subcommittee can restore competition and consequent benefits to the taxpayer in this field.

In 1966, State welfare programs accounted for $140 million in purchases, of which the Federal Government paid $81 million. The Comptroller General recommended to the Congress in February 1966, and again last month that a generic program to provide drugs to welfare patients would result in great savings to the taxpayers. A study in Pennsylvania last year showed that use of generic names would have reduced the welfare drug bill by more than one-half.

Mr. Chairman, for several years I have been going out to Walter Reed Hospital for treatment for a high blood pressure condition and I am given *reserpine* that is brought by Walter Reed Hospital at about 50 to 60 cents a thousand. Now I am told if that were purchased on the open market it would cost about $39 a thousand. Of course, while this is presently more in Senator Nelson's jurisdiction than in mine, I want to point out that we Senators, the President of the United States, and the high-ranking military officers are permitted to go out to Walter Reed and take advantage of this kind of a purchase, yet the average welfare recipient or the man who has to have medicare goes trotting down to the corner drugstore and pays 70 or 80 times as much for the same drug as I have here in my hand that I get prescribed for me by Walter Reed.

I want to touch on another point.

GSA RATE CASE ACTIVITIES

I am pleased that representatives of the General Services Administration are before your subcommittee today, Mr. Chairman, because my final suggestion has to do with that agency.