

The drug purchasing system of the county of Los Angeles operates as follows:

1. The therapeutic committee evaluates the drug thoroughly and accepts it as a standard hospital item.

2. The chief pharmacist places the order and gives the purchasing department an estimate of consumption.

3. A drug specification committee writes the specifications for the drug.

4. Bids are accepted from all companies meeting the specifications.

5. The contract is awarded to the company with the lowest bid. These contracts are usually for large quantities of a drug—a 3-month, a 6-month, or a 12-month supply.

Senator NELSON. How do you determine whether or not the company bidding can meet your specifications?

Dr. McCARRON. Well, we have our own little internal system for this. First of all, we categorize companies by A, B, and C companies.

Senator NELSON. By what?

Dr. McCARRON. We call them A companies, B companies, and C companies. These are our lists that we have made up from experience. We also have some companies that we have had trouble with, for one reason or another, that we do not accept bids from.

Either the labeling has been wrong, or we have consistently gotten into some type of problem, and we don't feel we can depend on that company, and we don't accept bids from them, they are informed of this.

Then, when the specifications are made, we select the things that we think are important, and later in my statement, I will give you a little example of this. Some drugs we buy only from A companies; other drugs aren't that critical, and we buy from whatever company makes it.

When the drug is delivered, we quarantine it in the pharmacy. We have a division in our purchasing department that does testing for us. There are certain standard tests that we do, such as tablet disintegration time, and we check the labeling, and we see that the drug doesn't deteriorate on the shelf or change color.

The specifications are different for each of these drugs. If they don't meet the specifications, then we return it to the company unused. We have quite an elaborate system to guarantee that the drugs we use in the hospital are effective drugs.

Senator NELSON. Do you basically test them to determine whether they meet USP standards?

Dr. McCARRON. It depends. Some of them we actually analyze. If we are buying a drug from a company that we haven't dealt with before, and we feel it is an important drug, in our contract requirements we say that if we feel that the drug should be analyzed by an independent firm that we may have the right to do this, and the company pays for the analysis. We have done that on occasion.

Mr. GORDON. Dr. McCarron, you assume, as I understand it, that if the drug, when you test it, meets your standards, your specifications, it will do the job you expect it to do; is that correct?

Dr. McCARRON. Yes.

Mr. GORDON. And you have never been disappointed in that, have you?

Dr. McCARRON. Yes. I will get to that.