

Veterans' Administration bought \$31,648 worth as opposed to \$413 worth bought in Phoenix—the V.A. is paying eight times as much as Phoenix for this product—\$32.16 as opposed to \$4.13. Further, although the Veterans' Administration and the Defense Supply Agency contracted for almost identical total dollar amounts for this drug, the VA paid close to three times as much as the DSA—\$32.16/\$11.60—per unit, and yet both purchases were by the Federal Government, simply different arms of the Federal Government.

Similarly, in the case of chlordiazepoxide, the VA purchased, in dollars, 35 times as much as the city of Philadelphia—strangely enough, Philadelphia got a better price—VA, \$21.75; Philadelphia \$18.50—than the large Federal purchaser.

There are numerous other examples of gross price differentials which defy any logical explanation. I have no doubt that any random sample of 29 other municipalities would produce the same results that both this and the New York survey have demonstrated.

I doubt whether any amount of explaining can justify this quixotic pricing structure. Furthermore, I do not see any evidence as of this date that the industry is even concerned about reviewing its pricing practices as suggested last week by George Squibb, former vice president of the Squibb Company.

Obviously the cities and other public purchasers are going to have to review their purchasing practices if they expect to get a fair share for the taxpayers' dollars spent on drugs.

The committee will be pleased to hear testimony from the PMA at any time on this subject matter.

(Letters referred to previously follow:)

THE CITY OF NEW YORK,
DEPARTMENT OF PURCHASE,
New York, N.Y., April 24, 1967.

Mr. J. FORREST GEE,
Purchasing Agent,
Atlanta, Ga.

DEAR MR. GEE: The New York City Department of Purchase is currently engaged in an intensive survey of prescription drug prices. We have selected your agency to represent the geographic area where you are located—along with 14 other areas across the United States.

Attached to this letter is a list of 25 drugs that have been chosen by my staff as widely used and as pricing barometers. I would greatly appreciate your providing prices for each drug, in the dosage form specified, from your current contracts. If you do not purchase a certain item, or if you purchase in a different dosage form, please substitute an appropriately similar item and indicate that you have done so.

Because of our urgent need for this information, we have been forced to undertake this project on an expedited basis. One of my staff members will be calling your office in a day or two, and we hope that with the list we have sent in front of you, you will be able to supply us with as much information as possible over the telephone.

I apologize for the short notice we are giving you. I wish it were possible to collect the pricing information over a longer period of time. I can promise you, however, that whenever you require similar information for price comparisons my office will cooperate with yours to the utmost.

Thank you in advance for your help.

Sincerely,

MARVIN GERSTEN, Acting Commissioner.