

3840 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

reimbursement to community pharmacies on the basis of acquisition cost plus a dispensing fee.

Public Health Service. In 1967, PHS expended more than \$4 million for drugs for its own operations, and also purchased drugs for Civil Defense stockpiling.

Of the drugs procured for PHS activities, some were used by the National Institutes of Health and the National Institute of Mental Health, but most were dispensed through the Division of Direct Health Services--with 11 hospital and 14 clinic pharmacies--and the Division of Indian Health. The latter operates 51 hospitals with pharmacies, and contracts with about 200 community pharmacies that furnish prescription drugs to Indian beneficiaries.

Each PHS hospital has its own formulary, but exceptions are made for the provision of nonformulary drugs. Physicians who contract with PHS are not obliged to use the formularies.

Pharmacies participating under contract with the Division of Indian Health are required to dispense the least expensive drug products they have in stock which will meet the physician's requirements when a generic