

I welcome the opportunity to appear before this subcommittee to describe to you the policies and practices of the Veterans' Administration in the selection and procurement of drugs and to acquaint you with the role we play within the Federal Government in this important field of medicine.

I would like, Mr. Chairman, at this time to introduce those who are accompanying me to this hearing.

First of all, to my immediate right is Dr. Benjamin B. Wells, the deputy chief medical director.

In addition we have Dr. Paul Haber, director of the extended care service;

Donald P. Whitworth, director, supply service; Clyde Cook, deputy director of the supply service; Robert A. Statler, director, pharmacy service; Roland F. Harding, chief, drugs and pharmaceuticals division; John J. Corcoran, our general counsel; and Alfred T. Bronaugh, associate general counsel.

As the Administrator of Veterans' Affairs, I am directing an agency which is the largest Federal consumer of drugs and medicines outside the military.

In fact, except in times of war or major military action, we are the largest Federal consumer.

In addition, by delegation and assignment under the Federal Property and Administrative Services Act of 1949, as amended, we are the commodity manager for all nonmilitary users. Our procurement and contracting for this commodity thus provides logistical support for many Federal programs as well as for the Veterans' Administration medical and clinical programs. I will describe in some detail the operations of our program, which may serve to amplify the meaning of the data already provided this subcommittee.

As a small businessman myself for a number of years, I personally as well as officially wholeheartedly subscribe to the principles of the Small Business Act (15 USC 631), particularly section 2(a) which provides that a fair proportion of Federal procurement shall be from small business. The data furnished to this subcommittee might lead to the conclusion that a rather small proportion of the Veterans' Administration drug procurement is from small business.

I would like to supplement that data with the information that of all our drug purchases from both central procurement and individual hospital procurement 16 percent of our dollars are spent directly with small contractors.

Senator NELSON. May I interrupt? Is that 16 percent of your hospital procurements of all drugs, or are you including other items?

Mr. JOHNSON. We are dealing entirely here with drugs and pharmaceuticals.

Mr. GORDON. Mr. Chairman, the staff broke down the figures given by the Veterans' Administration and we found the following:

During the fiscal years 1968 and 1969, the Veterans' Administration purchased over \$91 million worth of pharmaceuticals. This is on the basis of the data the VA gave us. Of this amount only \$2.1 million or 2 percent involved purchases where actual competitive bidding took place, \$1.3 million or 65 percent, that is, 65 percent of that 2 percent, went to small firms, and approximately \$744,000 or 35 percent went to large firms.