

best estimate from small business—from small business manufacturers.

Senator NELSON. This documentation does not appear in the contracts you submitted to us. We end up with $1\frac{1}{4}$ percent. Where is the discrepancy?

Mr. JOHNSON. Sir, the discrepancy is in this area, that the data that you have is approximately 50 percent of the total purchases made by the VA, the 50 percent that is made through the central office and is deposited in the depot centers, of which we have three.

The hospitals and clinics also have the authority to make purchases of drugs and can do so on their own initiative as they are needed, and this 50 percent, we were unable to furnish you within the time span, the data, the detailed data which you requested.

Senator NELSON. But do I understand that you are saying that by the hospital purchases that you achieve this 16 percent?

In other words, your central purchasing out of the Veterans' Administration is only about $1\frac{1}{4}$, 65 percent of the 2 percent?

Why is that so low when you say that you have such a high percentage of acquisition of drugs from small businesses done by the individual hospitals?

Mr. WHITWORTH. Sir, most of the hospital purchasing is done from open end Federal supply schedule contracts made by the Veterans' Administration, and many of these are with small manufacturers. So, the percentage is rather higher there than it is on our national basis.

Senator NELSON. Why would it be higher there?

Mr. WHITWORTH. Well, we are dealing in larger quantities in the national program, and we are dealing in many cases with a sole-source drug that is produced by a large manufacturer. Actually, 80 percent plus, sir, of our drugs, in the 50 percent we have furnished you, are sole-source items, and mostly from big business. About 80 percent of that which you have information on are sole source items, and most of those sole-source items are manufactured by other than small business.

Mr. JOHNSON. Sir, I think also that it would be true that open-end contracts with small business, small contractors, are very appealing to them because it allows them to spread their manufacturing distribution over a period of time, and this is the kind of contract that we use with the individual hospital that can order against that open-end contract.

Senator NELSON. We have some more questions later on sole-source purchasing, but we will get to that further on.

Please continue.

Mr. JOHNSON. Thank you, sir.

An additional 5 percent is for prescriptions purchased from local private pharmacies, almost all of which are small businesses; and a significant proportion of the remaining 79 percent, although the product of large manufacturers, may be procured from small business distributors and drug wholesalers. This is not the optimum situation for the Veterans' Administration, and I shall see that strong and sincere efforts are extended to improve our posture in support of small business.