meet the Veterans' Administration specifications and quality requirements.

Approximately one-half our annual drug requirements are provided by purchase from our Veterans' Administration Marketing Center in Hines, Ill., and distribution through our three supply distribution centers at Somerville, N.J., Hines, Ill., and Bell, Calif.

Thirty-five percent are purchased by our individual hospitals and clinics from Federal supply schedules, executed by the Veterans' Administration Marketing Center for use of all Federal agencies. The remainder are purchased by special negotiation and from local sources by our hospitals and clinics.

The data furnished your committee related to those drug items purchased by our marketing division for drugs and chemicals located at our Veterans' Administration Marketing Center. In determining which will be supplied through our central purchase and distribution program we apply the following criteria: (1) volume purchases are necessary to secure timely delivery and advantageous prices; (2) price advantages through bulk buying is sufficient to assure greatest economy through central distribution; (3) items are physically adaptable to storage and distribution; (4) the frequency of issue, repetitive use, physical characteristics, and stability of requirements justify central purchase and distribution.

Items which do not meet these criteria are provided through the Federal Supply Schedule for Federal Supply Groups 6505 and 6810, drugs, medical chemicals and reagents. A reporting system on frequency of drug use permits the periodic re-evaluation of our methods of supply.

This reporting system does not produce data your subcommittee desired on individual items procured locally, since it did not contain names of suppliers, or bidder information. It does provide us with usage trends to permit movement of items from one method of supply to another.

Our quality control process consists of the following elements:

1. Professionally developed specifications, including USP or NF requirements, and any other additional descriptive or performance requirements considered necessary.

2. Inspection of manufacturers' facilities before inclusion on the Veterans' Administration bidders' list.

3. Laboratory analysis by the Food and Drug Administration of random samples selected by Veterans' Administration personnel from various lots before acceptance by our central distribution points.

4. Physical inspection of random samples by professional personnel either at our supply depots or our hospital and clinic pharmacies.

5. A reporting system which we call quality improvement reports to be submitted by using activities in case of dissatisfaction with products or need for improvement.

6. Periodic reinspection of our suppliers' facilities and suspension from participation in Veterans' Administration procurement of those not meeting our standards. We work in close cooperation with the Defense Supply Agency in exchanging information on bidder performances, inspection reports, product suitability, et cetera.