

Senator NELSON. Now, as I understand your testimony, the large drug expenditure that you have for outpatients—regardless of the price, regardless of the fact that there may be no difference in their therapeutic value, regardless of the fact that the doctor may prescribe the highest priced one in the marketplace—do I understand under item 3 that you do not in any way interfere with that?

Dr. WELLS. Oh, yes. We are not passive in that connection at all. If the prescription is presented on an emergency basis it may be filled, indeed, as you say, pending some examination of this.

On the other hand, these fee-basis physicians are contacted, they are given our formulary information, they are asked to prescribe the less expensive equivalent drug so that we make every effort to correct these faults as we learn about them, as the prescriptions come through for examination.

Senator NELSON. You furnish to the physician a list of all of the brand and generic names of a particular compound and the price, and encourage physicians to prescribe the lowest priced one?

Dr. WELLS. Yes, sir. We furnish them a list of the drugs that are stocked in our pharmacies which are purchased on this basis; that is, the lowest possible cost for the equivalent product.

Senator NELSON. How many of these are being bought from pharmacies?

Dr. WELLS. Do you mean in total patients?

Senator NELSON. Outpatients. Your outpatients are all over the country.

Dr. WELLS. That is right.

Mr. JOHNSON. Yes, sir; but the bulk, the bulk of outpatients are within range of a facility, of a VA facility, and we encourage those facilities to be used.

Now, of course, it stands to reason that in your State and mine there are many who are too far away, and they have to use a local pharmacy.

Mr. STATLER. Senator, 80 percent of all outpatient prescriptions by fee-basis physicians are filled in the VA pharmacies and these physicians are given a formulary or listing of the drugs we have available, and are encouraged to prescribe what we have already standardized as a therapeutic equivalent. Occasionally we have a new physician who writes for a drug we do not stock and we will make an effort to get him to prescribe a therapeutic equivalent, if he has one, if he is not unable to be reached, or has a particular requirement.

Senator NELSON. Please proceed.

Mr. JOHNSON. I would like to mention a couple of examples of this. The largest recovery in the history of this Nation for overcharges on drugs sold at prices in restraint of trade involved the antibiotic tetracycline hydrochloride. Recognizing that competition was apparently not being developed despite availability of this item from several manufacturers, Veterans' Administration reported information suggesting restraint of trade or price regulation to the Federal Trade Commission and the Department of Justice in 1955.

In the widespread publicity attendant upon the Federal Trade Commission and court actions which resulted in the ordered refund