The use of a costly combination product when equally effective but less expensive drugs are available individually.

The simultaneous use of two or more drugs without appropriate consideration of their possible interaction.

Multiple prescribing, by one or several physicians for the same patient, of drugs which may be unnecessary, cumulative, interacting, or needlessly expensive.

Senator NELSON. I want to thank you very much for your testimony.

Mr. JOHNSON. Thank you very much, Mr. Chairman. It was a pleasure.

Senator NELSON. And for spending your time here with us this morning.

Thank you.

(The complete prepared statement and supplemental information submitted by Mr. Johnson follows:)

STATEMENT OF HON. DONALD E. JOHNSON, ADMINISTRATOR OF VETERANS' AFFAIRS

Mr. Chairman and Members of the Committee, 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.

As the Administrator of Veterans Affairs I am directing an agency which is the largest Federal consumer of drugs and medicine 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 non-military Federal 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 2a 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% of our dollars are spent directly with small contractors; an additional 5% is for prescriptions purchased from local private pharmacies, almost all of which are small businesses; and a significant proportion of the remaining 79%, 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.

Unfortunately, as the Chairman and Members of this Subcommittee well know, the procurement of drugs is considerably more complex and complicated than almost any product purchased both for Federal and private programs. It has been fraught with controversy and is not free from strongly held divergent opinions. It is an area in which those of opposing views can find competent expert opinions in support of any particular viewpoint as to the safety, efficacy, relative therapeutic merits or (to use a term not often related to human life and health) the cost effectiveness of any given drug, drug manufacturer or therapeutic drug category. It is an area which, as the Administrator of this large drug-consuming agency, I am convinced does not offer "pat" or unequivocal answers. It is within this framework that the policies on the selection and procurement of drugs evolve within the Veterans Administration.