

cooperative ventures with medical and pharmacological inquiries initiated by others.

Turning to our procurement practices, I would like to again emphasize that the question of selection of which specific drugs will be procured is a professional and not an administrative decision. The responsibility of our procurement staff located within the supply organization is to purchase the drugs selected for use at the lowest cost, to assure their distribution to our pharmacies in an efficient and timely manner and to provide quality control and inspection processes during manufacture needed to insure that drugs 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, Illinois and distribution through our three supply distribution centers at Somerville, New Jersey; Hines, Illinois; and Bell, California. 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 or 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 items 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 reevaluation 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 performance, inspection reports, product suitability, etc. We accept the quality control findings and vendor inspection reports of the Defense Supply Agency as an integral part of our own quality control program. We also interchange quality control information with the Food and Drug Administration and other elements of the Department of Health, Education and Welfare.

I previously mentioned that we procure or contract for drugs for other Federal users. In 1961 the Administrator of General Services Administration, as provided in the Federal Property and Administrative Services Act, assigned to the Veterans Administration the responsibility and authority for the procurement and distribution of drugs, biologicals, medical chemicals and reagents required by Federal agencies. Since that time we have contracted for and administered the Federal Supply Schedules for these items. We have also provided them from our central depot stocks to those agencies who have placed requisitions upon us. During the Fiscal Year 1970, we estimate that other Fed-