munity needs and conditions. The Office of Health Affairs does provide technical assistance to modify existing systems when the need arises and when a new program becomes operational. An example of this approach is pharmacy delivery systems. Neighborhood health centers attempt to utilize local resources to the maximum extent feasible. Health centers will accept proposals to utilize pharmacies or pharmacists in the community to provide pharmaceutical services to patients. A recent survey of programs in operation indicated 34 percent used only community pharmacy sources in the health programs, 30 percent utilized only in-house pharmaceutical programs, and 20 percent used a combination of in-house and community pharmacy programs. The remaining 16 percent used miscellaneous sources, such as hospital-type arrangements, for pharmaceutical services. The pharmacy programs of neighborhood health centers which were instituted were in response to the needs of the community and were designed to be an integral part of the comprehensive health services delivery system.

I would now like to describe some of the experiences which the Office of Health Affairs has encountered with drug purchasing in neighborhood health centers which I think will be of interest to the committee.

Drugs are presently purchased in neighborhood health centers by direct and indirect methods. Purchases through hospitals and community pharmacies we constitute as indirect buying of pharmaceuticals. Indirect sources of supply are usually more expensive than purchases of pharmaceuticals through, for example, the Veterans' Administration. This is due to the fact that the acquisition costs per unit are usually higher for hospitals and community pharmacies. Although a number of major pharmaceutical companies have instituted a one-price policy for the sale of their pharmaceuticals, this action has not entirely eliminated the differential in the prices of drugs among community pharmacies, hospitals, and governmental agencies.

Information OEO has gathered from a recent study, indicated that acquisition prices are the lowest to governmental agencies and programs, more costly for hospitals and still more expensive for community pharmacies. The community pharmacy acquisition costs can amount to 50 percent above a comparable governmental cost.

Mr. GORDON. Dr. Bryant, may I interrupt there? Have you ever calculated how much money could be saved if the purchases are made directly from the Veterans' Administration or Defense Supply Agency?

Dr. BRYANT. Well, as you know, I do not adhere exactly to that principle but I do not know that we have got an exact figure on how much money we could save.

Mr. GORDON. Can you give us an estimate? How many dollars could you save by doing that?

Dr. BRYANT. In fiscal 1970, for instance, our estimates are that we are spending somewhere in the neighborhood of four million, maybe more, of OEO dollars, in purchasing pharmaceuticals. It is through a combination of the figures I gave for direct and indirect purchases. I guess we probably could have somewhere in the neighbor-