

hood of \$1½ million and that really is a "guesstimate" rather than an estimate, money that we could save if we in some way mandated each of our neighborhood health centers to buy only from some source like the VA.

As I go through my testimony I would like to at least give our position that perhaps is not totally desirable to do and some of the reasons why we think not.

The premium for hospital purchases can be about 20 to 30 percent above the prices secured under the Veterans' Administration contract.

The second major source for purchase is directly by neighborhood health center pharmacies. The sources of supply can be classified into the following categories:

1. Direct from manufacturer at the Federal supply schedule price.
2. Direct from manufacturer at the community pharmacy price.
3. Direct from manufacturer at the hospital price.
4. Direct from manufacturer at a contract or negotiated price.
5. Direct from Veterans' Administration Supply Depot or Veterans' Administration hospital.
6. Purchased from wholesaler at the regular community pharmacy price.
7. Purchased from wholesaler at a reduction in the regular community pharmacy price.
8. Purchased from a center-affiliated hospital pharmacy.
9. Purchased from a city, county or State institution.
10. Purchased from miscellaneous sources .

The policy and practice of the Office of Economic Opportunity has been to encourage and assist programs in purchases from Veterans' Administration and Federal supply schedules. The source of drugs usually resulting in the lowest cost to the health center is the Veterans' Administration. This is usually true whether the drug is purchased by its brand name or its generic name. The reason for this is due to the fact that VA prices are predicated upon a predetermined quantity of medication based upon historical data and forecasts for the current year's usage. However, there are instances in which a negotiated contract with a manufacturer will result in lower costs to health centers.

Neighborhood health center pharmacies are encouraged to purchase at the lowest price. Due to the fact that there are numerous products which are not in the VA catalog, the pharmacist may have to choose his supplier and the segment of the market in which he will purchase. There are numerous segments which can be utilized. These market prices include Federal supply schedule prices, governmental agency prices, contract prices, hospital prices, community pharmacy prices and wholesaler prices. Depending upon the pharmaceuticals required by the patient, one market source of procurement may be more advantageous than another.

Each comprehensive health services program has been designed to meet the special needs of the specific community in which it has been established. Full responsibility for planning and conducting services including the purchase of drugs and other consumable supplies is with the local project officials and not at the national level.