

Senator NELSON. Is that the explanation for a number of these such as—

Dr. BRYANT. I think it will be, Senator. I think you will find, and I think we said flatly in the testimony, there is no doubt that we can save money by buying directly from places like the VA much cheaper than buying on the local market, but what we find, I think you commented earlier, that as some of our health centers begin to become operational it is just not feasible to buy in the type of bulk they would have to buy through the VA. Therefore, you will find some large discrepancies. I think you are going to find that is the main explanation for most of the discrepancies that we have provided. And there are lots of them, as I said.

Senator NELSON. It just seems to me that OEO should not pay a higher price than the average price paid by the private pharmacists around the country.

Dr. BRYANT. I would be the first to say that is not a desirable thing. We would not like for that to continue and I hope it will not. Our experience is, and we are getting a feel for it, the unfortunate thing is we do not have that much hard data to support it. We are getting it, as I said, but we are getting to feel as these centers become more operational and as they see more and more patients, as they are in existence over a period of 2 to 3 years and they begin to take greater advantage of the VA system and Federal Supply System. Many of them, as they start up, are in no position to take advantage of it, and quite frankly, a lot of it is just lack of communication and education which we have more of to do.

Mr. GORDON. We also have other tables supplied by you. Table 4 shows community pharmacy charges for selected drug products. What is the significance of those prices? You supplied them on a per-capsule basis, but we converted them to 100 capsules or 500 capsules to compare with the in-house pharmacy prices and they are, of course, considerably higher.

Now, let me ask you this. Is there an additional professional fee added on to these prices?

Dr. BRYANT. Yes.

Mr. GORDON. In other words, the prices you gave us are really not those paid by the OEO, but should include a professional fee; is that it?

Dr. BRYANT. No. This price includes the professional fee, I think. Let me ask Mr. Pugliese.

Mr. PUGLIESE. No. When we purchase through vendor programs, that is to say, when neighborhood health centers have patients get their prescriptions filled at local retail drug stores, the center will reimburse the pharmacy their acquisition cost, and the fee allowed by the medicaid program in that State for drugs for those patients not medicaid eligible. It is usually a cost plus a fixed fee or cost plus a percentage markup. This figure in the chart represents the cost of the material itself.

Mr. GORDON. The prices you gave us represent—

Dr. BRYANT. Represent the cost.

Mr. GORDON. Of the material. But it does not represent the total cost of the item to OEO?