Drugs are presently purchased in Neighborhood Health Centers by direct and indirect methods. Purchases through hospitals and community pharmacies constitute indirect buying of pharmaceuticals. Indirect sources of supply are usually more expensive than purchases of pharmaceuticals through 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 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% above a comparable governmental cost. The premium for hospital purchases can be about 20 to 30% 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; and
10. Purchased from miscellaneous sources.

The 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 pre-determined quantity of medication based upon historical data and forecasts for the current year. However, there are instances in which a negotiated contract with a manufacturer will result in lower costs to health centers.

Neighborhood Health Center pharmacists are encouraged to purchase at the lowest price. Due to the fact that there are numerous products which are not in the VA Catalogue, 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.

For example, physicians are not expected to prescribe according to a national formulary, but usually function through a therapeutics committee, established by the center. One of the committees' functions is the improvement of patient health through the utilization of the most effective pharmaceutical product for an intended therapeutic effect.

The present logistics of drug procurement among Neighborhood Health Centers are comparatively adequate. One problem experienced by some health centers results from imperfect transmission of knowledge concerning drug prices. This lack of information has created the situation whereby pharmacists occasionally pay different prices for the same drug. Sometimes this difference is due to the market segment in which the acquisition occurs. In other instances,