

for inclusion in the central stock system. Approval of only one service is needed to add a drug to the central supply system, but all services must concur in removing an item from the system. In fiscal year 1970, 66 drug items were added to the system and action taken to delete or discontinue procuring 106 drug items on a centralized basis.

We believe that under the current reporting systems, drug items that merit consideration for inclusion in the central stock system may not be included in the items identified for review and evaluation. This possibility could be removed and the reporting system improved by the use of standard criteria by the three services.

The Veterans' Administration's primary source of information in its continuing effort to capture data on drug usage outside of its central stock system is a quarterly drug report based on reports from each of its medical facilities. This report is characterized by the Veterans' Administration as an important tool in the management of its drug program and shows all procurements from sources other than central stock. The Veterans' Administration uses this report to identify drugs which qualify for inclusion in the central stock system.

We believe that the Veterans' Administration could make its comprehensive report more useful by requiring more uniform adherence to its regulations on reporting nomenclature and by providing for the compiling of certain summarizations and exception reports which would make the identification of drugs for central stock management much easier.

Also, available data indicates that the Veterans' Administration and the Department of Defense could take advantage of higher quantity drug procurements which could possibly result in lower prices by combining their needs for procurement purposes. For example, the Veterans' Administration contracted for 1,404 units of Lincocin at a unit price of \$22.30—5 days later the Defense Personnel Support Center contracted for 4,464 units of the same drug from the same manufacturer at a unit price of \$19.95. In another instance the Veterans' Administration contracted for 3,000 units of Tylenol at \$6.14 each—about 1 month earlier the Defense Personnel Support Center contracted with the same manufacturer for 10,176 units of the same drug at \$3.28 a unit.

Now, while these cases, Mr. Chairman, both show that the VA was paying higher prices than the Defense Department, this would not necessarily hold in every case, but in these two examples which we cite for illustrative purposes, that happens to be the case.

Senator NELSON. Do you see any justification for a differential, for example, of \$6.14 a unit paid by the Veterans' Administration and \$3.28 paid by Defense Personnel Support Center?

Mr. STAATS. No, sir. That is the purpose of our bringing it out here. We feel that that would not have been necessary if they had shared information and procured this item together.

Senator NELSON. We pointed out here, from a survey that we did almost 4 years ago—1967, that a number of municipalities or non-profit institutions and general hospitals, were procuring the same drug from the same company at dramatically different prices. We