

had a number of examples. The response to that is, "well, quantity purchase justifies a reduction in the price." These differences, however, were so dramatic that they could not be justified, and we had a number of instances where the large purchaser paid considerably more than the small purchaser—all of them municipalities or non-profit general hospitals, institutions of one kind or another.

I was looking at a report not yet released—a preliminary study by one of the departments of the Federal Government—and I just want to give you another example which supports the record that we made on this point 3 or 4 years ago.

The data indicates that the State of Texas, for example, paid \$27.72 per 500 for 296,500 tablets of 10 milligram Librium—

so that was \$27.72 per 500 for 296,500 tablets—

while Boston paid \$19.50 per 500 for 25,000 tablets of the same product.

So, they bought less than a tenth as much and paid about \$8 per 500 less than the State of Texas did.

Obviously, there is something wrong with the purchasing methods in one place or the other.

Mr. STAATS. Obviously.

Senator NELSON. Go ahead.

Mr. STAATS. At least 150 drugs, we found, centrally procured by the Defense Personnel Support Center during calendar years 1968 and 1969, were also centrally procured by the Veterans' Administration during fiscal years 1968 and 1969.

Both the Veterans' Administration and the Department of Defense have established required priorities of supply sources to be used by their medical facilities. These priorities reflect a policy of using the most economical supply source available. Such a policy is important because the commercial unit prices of drugs available at the wholesale level are generally higher than prices established under Federal Supply Schedule indefinite quantity contracts which, in turn, are generally higher than definite quantity procurements.

To illustrate this fact, we compared prices listed on the Federal Supply Schedule with the highest prices paid under definite quantity contracts for 68 drug items over a recent 2 year period and found that the schedule prices averaged 63 percent higher. We recognize that procurements under indefinite quantity contracts have inherently higher manufacturers' costs of warehousing and administration which would account for some part of the difference between definite quantity procurements. Also additional warehousing costs are incurred by the Government on procurements for central stock under definite quantity contracts, but considering all these factors, a 63 percent difference seems significant in any event. The average price differential is particularly significant considering the amount of total purchases made under schedule contracts and the fact that many centrally stocked drugs are also available under the schedule contracts.

We see no reason why Federal agencies should independently procure drugs from the same manufacturer and lose the possible price advantages resulting from high quantity purchases. We believe consideration should be given to improving Federal drug procure-