

ment practices by providing for an exchange of information between the Department of Defense and the Veterans' Administration as to the estimated annual volume of drugs to be procured in order that consideration can be given to combining quantities of certain drugs for procurement purposes, using the most economical method of procurement for each drug item.

Another key requirement to an efficient supply system is its ability to provide, wherever possible, purchase descriptions or product specifications which permit more than one manufacturer to bid effectively.

Both the Defense Personnel Support Center and the Veterans' Administration establish their own specifications on drugs.

Senator NELSON. Let me ask a question at this point. In your checking have you ever made a determination as to how many personnel are involved in the purchasing of drugs in the Veterans Administration and Defense Supply? What kind of group does that take?

Mr. STAATS. You mean the qualifications and size, et cetera?

Senator NELSON. Yes. What is the cost of a purchasing operation, for example, and how many personnel are involved? What is the cost at the Veterans Administration and the Defense Supply Agency? And what is the overhead cost?

Mr. STAATS. The administrative costs involved?

Senator NELSON. Yes.

Mr. STAATS. I do not believe we have—

Senator NELSON. Could you check that for us?

Mr. STAATS. We will look into it and see if it would be feasible to do it and if so, we will provide it. I see no reason why we could not get that information.

Senator NELSON. Fine.¹

Mr. STAATS. Both agencies require compliance with the applicable standards of the U.S. Pharmacopeia and the National Formulary to which each agency adds its own additional requirements. The professional personnel assigned this responsibility within the Defense Personnel Support Center and the Veterans' Administration are chemists or pharmacists.

The Veterans' Administration develops a specification when the demand for a generic product is sufficient to warrant central management or administration and when no patent exists or the patent has expired. The Veterans' Administration has established specifications for about 100 of its centrally managed drugs procured on a generic basis. In addition, specifications have been developed on 46 drug products administered under Federal Supply Schedule contracts.

The Defense Personnel Support Center establishes a specification or purchase description on every drug item in its central stock system.

Both agencies informed us that they use a number of sources in constructing their specifications. In addition to the monographs of the U.S. Pharmacopeia and National Formulary, other sources for constructing specifications include the Food and Drug Administration, drug manufacturers, the National Institutes of Health, and the American Chemical Society.

¹ The General Accounting Office has informed the staff that this material is being prepared but will not be available before this volume is published.