

Senator NELSON. Do you have any present plans to go ahead and explore this?

Mr. AHART. Mr. Chairman, as the Comptroller General mentioned, we are continuing our work in examining drug procurement systems and as part of that work we will be giving consideration to utilizing the authority which we have under the provision of the 1951 act which Mr. Shnitzer mentioned, and actually examine the costs of certain of the drug manufacturers.

We have not decided how far we are going to go on this and the final plans are indefinite, but this will be given consideration as part of this continuing work and I am sure some of it will be done.

Senator NELSON. As the Comptroller General's statement demonstrates, there has been a dramatic increase in the taxpayers' expenditures for drugs—direct and indirect purchasing—in the period 1967 to date, going up by \$400 million, from, I believe your figure was \$514 million, to \$975 million. I believe that was the figure—almost a \$400 million increase in a 2- or 3-year period.

I realize it may be a very complicated matter, but it would seem to me that all companies ought to be served notice that the GAO is going to utilize this statute. I think that we ought to take a look at some of those costs.

Nobody has ever been able to get their manufacturing costs. But when you see them selling drugs at \$17.90 a hundred to the pharmacies and offering to sell at \$1.20 in the same month and same city to an institutional buyer you have some idea of what the costs might be.

I think it would be a service to the taxpayer to take a look at that and I am glad you have it under consideration.

Mr. STAATS. Thank you, Mr. Chairman. Would you like for me to continue?

Senator NELSON. Yes, please.

Mr. STAATS. At the bottom of page 14 we refer to small business participation.

Competition through formally advertised procurements seems to have a decided effect on the participation of drug manufacturers classified as small business. When drug supply contracts are awarded competitively, small business is often able to effectively compete. For example, in fiscal year 1970 more than half of the dollar volume of the Veterans' Administration's formally advertised procurements of centrally stocked drugs were awarded to drug manufacturers classified as small business concerns. Only 3 percent of the negotiated procurements for centrally stocked drugs were awarded to small business concerns. Since negotiated procurements constituted more than 96 percent of the total, small business received only about 4 percent of the total procurements of centrally stocked drugs.

During fiscal year 1970 the Defense Personnel Support Center initiated 1,076 procurement actions, each having a value of \$10,000 or more, with domestic drug manufacturers. Small business was involved in 137 of these actions—representing about 7 percent of the total procurement dollars of about \$71.6 million. For contracts amounting to \$19 million awarded under advertised procedures or negotiated with competition by the Defense Personnel Support Center during fiscal year 1970, small business received about 17 percent of the dollar volume or a total of \$3.3 million.