

activities. We have attached as Appendix A to my statement digests of these reports for your information.

There is a growing involvement by the Federal Government in drug procurement, encompassing its substantial role both as a direct provider of medical care and treatment to certain classes of persons and as a supporter of federally financed programs which include the provision of drugs for eligible beneficiaries. During the three fiscal years 1967 through 1969, the total estimated Federal expenditures for drugs increased from \$514 to \$975 million. A substantial portion of these expenditures were indirect in that they consisted of the Federal share of the costs of drugs provided to beneficiaries under the Medicare and Medicaid and certain other programs. Drug costs under the Medicare and Medicaid programs increased from an estimated \$350 million in fiscal year 1967 to \$750 million in fiscal year 1969.

Although the major portion of Federal drug expenditures are indirect, the expenditures for direct procurements have increased from \$161 million in 1967 to \$203 million in fiscal year 1969.

Three Federal agencies account for most of the direct drug procurement--the Defense Personnel Support Center, an activity under the Defense Supply Agency; the Public Health Service of the Department of Health, Education, and Welfare; and the Veterans Administration. Each of these agencies operates its own drug supply system.

The Defense Personnel Support Center centrally manages about 1,100 drug items and in fiscal year 1969 procured an estimated \$103 million in drug. The Public Health Service