

8034 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

centrally manages about 600 drug items and in fiscal year 1969 spent an estimated \$6 million for drugs, about 86 percent of which were obtained under contractual arrangements made by Veterans Administration. The Veterans Administration centrally manages about 450 drug items and centrally procured an estimated \$25 million in drugs in fiscal year 1969.

The Veterans Administration also administers Federal Supply Schedule contracts under which Federal agencies can satisfy their drug requirements through direct purchase from drug manufacturers. Purchases under these contracts for fiscal year 1969 were estimated at \$56 million.

In addition to drug procurements which are centrally managed or administered, medical facilities of each of the three agencies can, in certain circumstances, locally procure their drug needs.

Previous testimony before this Subcommittee has highlighted the drug procurement system as an activity supporting physicians' decisions on the most appropriate drug therapy for their patients. Such a system has as its base the professional selection of drugs and, in support of that selection, a complementary supply activity.

The objective of Government drug procurement should be to obtain at fair and reasonable prices, and in a timely manner, the proper and needed quantities of drugs that are of a satisfactory quality.

Specifically, we believe that a drug procurement system should provide for:

- a selection process which emphasizes drug quality, safety, and efficacy and gives appropriate consideration to drug cost.