

8040 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

each--about one-month earlier the Defense Personnel Support Center contracted with the same manufacturer for 10,176 units of the same drug at \$3.28 a unit.

At least 150 drugs, 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 two 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