

Competition and negotiation

It is clear that the degree of competition obtained in the drug procurement area is less than competition obtained for many other Government supply items. The total dollar value of drug procurements for central stock by the Veterans Administration and the Defense Personnel Support Center in fiscal year 1970, amounted to about \$94 million. About 7 percent or \$6.4 million of the central stock procurements were made under contracts awarded pursuant to formal advertising procedures. The remainder were made under contracts negotiated with the sole source of supply or under contracts awarded after the solicitation of proposals.

Among the reasons for the limited amount of competitive procurement are of course, the fact that many drugs are patented products and the fact that legal and administrative requirements must be met in order to obtain Food and Drug Administration approval. Also, many procurements are made by brand-name either because only one brand of a particular drug is available or because of the prescribing physicians' preference. For example, about 70 percent of the drug items centrally stocked by the Veterans Administration have been designated for procurement on a sole-source basis in order to obtain specified brand-name drugs.

In addition, competitive contract awards account for about 25 percent of the procurements under the Federal Supply Schedules. Most of the other contracts, which are included for the