

Administration are estimated to be 60 percent higher than the average price obtained after formal advertising or the solicitation of competitive proposals by the Department of Defense. Appendix B of my statement shows the 9 drugs and comparative prices. It should be noted that the quantities purchased by the two agencies are different which may account for some part of the price differences.

We see no reason why different Federal agencies should independently procure the same drug in a different manner, and possibly from the same manufacturer, and lose the advantages associated with procurement of larger quantities and, where possible, increase competition.

Without effective competition, there is a question of the Government assuring itself that the prices being obtained are fair and reasonable under negotiated procurements. Public information is available on selected areas of drug pricing--an example would be wholesale prices. In determining whether the negotiated price is the best attainable by the Government, comparison of the bid with these prices reflects reasonableness by inference. Although there is no assurance that these prices are reasonable, our survey indicates that these prices serve as the basis for most of the price reasonableness determinations made by the Veterans Administration and the Defense Personnel Support Center.

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