

8056 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

Appendix A

GENERAL ACCOUNTING OFFICE
REPORT TO THE SECRETARY OF
HEALTH, EDUCATION, AND WELFARE

OPPORTUNITIES FOR ECONOMIES
IN DRUG PROCUREMENT IN
INDIAN HEALTH PROGRAM
B-164031(2)

D I G E S T

WHY THE REVIEW WAS MADE

The Division of Indian Health (DIH), of the Health Services and Mental Health Administration has the responsibility for providing health services to Indians and to Alaska natives.

Previous reports issued by the General Accounting Office (GAO) on drug purchases by Federal and State agencies with Federal funds showed that there were opportunities for reducing drug costs by revising procurement procedures.

Since there appeared to be a similar opportunity for economies in the program providing health care to Indian beneficiaries, GAO reviewed the drug procurement policies and practices of DIH. In fiscal year 1968, the DIH purchased \$2.7 million worth of drugs for the benefit of Indians.

FINDINGS AND CONCLUSIONS

GAO found that DIH could realize economies by making several improvements in its management of drug procurement.

Opportunities exist for savings if DIH places greater emphasis on the benefits of centralized and competitive buying through the Public Health Service (PHS) supply center or through Veterans Administration (VA) supply depots. GAO believes that the volume of drug products purchased by field installations directly from manufacturers and local wholesale establishments--which is approaching \$1 million a year--can be reduced. (See p. 5.)

DIH has not adopted a system for determining which drug products are, or could be, commonly used at field installations. GAO believes that there is a need for considering the benefits to be derived from the establishment of a program-wide drug formulary which together with better information on drug usage by field installations would help in determining the drugs that could be procured centrally on a competitive basis and generally at lower prices than for drugs purchased directly by field installations. (See p. 6 and p. 9.)

Tear Sheet