

other words, if the compound is being purchased here through the AID program, do you check to find out what the price of that compound is, if it is made in other countries such as France and Germany, Italy, and so forth, and compare their bulk prices with the bulk price in this country?

Mr. DWINELL. No, Mr. Chairman. We are concerned only with the prevailing price for exports from the United States. But might I say, Mr. Chairman, that we are now talking about our old price rules and I am about to present some new rules which have considerably tightened up on these transactions.

Senator NELSON. You were reading from section 604(b) of the act, and the act uses the language "market prices prevailing in the United States." We are just trying to find out how you determine what the market price of a bulk commodity is.

Mr. DWINELL. Mr. Chairman, I attempted to explain that we obtain information from various sources on the prices at which that commodity is sold.

Senator NELSON. In other words, if you are buying a bulk compound do you require them to show you their books on the prices that they have charged for this product to any buyer, any place?

Mr. DWINELL. Yes, we do.

Senator NELSON. Do you ever take a look at a situation in which a supplier of compounds also produces a finished product and then bids to the Department of Defense or New York City at a price dramatically lower than what they charge in the retail market? Do you understand what I am talking about? They make a drug that is marketed under their brand name in the retail market. Then they bid to the Defense Department or to a big city buyer or hospital which constitute a relatively competitive marketplace. This is unlike the retail market where their brand name may dominate because that is the name that is widely prescribed and best known. However, when the firm offers competitive bids to the Department of Defense or Veterans' Administration, New York City or a big general hospital, its price will end up one-half—perhaps one-fifteenth of what it is charging in the retail market.

Do you ever examine that structure to find out—

Mr. DWINELL. Mr. Chairman, you are talking now about domestic sales?

Senator NELSON. Right.

Mr. DWINELL. We are financing export business and the sales prices which we review and with which we are concerned are based on the best information we can get as to prevailing export prices.

Senator NELSON. If there is one producer of a compound and just one price set by the one producer, you do not go beyond that. You do not look to see what that same compound is being sold for in the European market by another producer?

Mr. DWINELL. Under our new rules, Mr. Chairman, which I am to explain to you later on in my statement, we look at domestic produced pharmaceuticals which may be pharmacologically equivalent, generically equivalent, if you will, and we also under the revised rules take into account the world price.

Senator NELSON. Under the new rules you take into account the world price?