Mr. STAATS. We found that it was common for manufacturers to add requirements to those in the compendia (USP and NF) for products they sell to the general public. Comments by manufacturers and compendia officials and statements in professional publications explain that the additional requirements are added for controlling manufacturers' production processes and to ensure product quality and uniformity.

The DOD practice of establishing a specification for every drug item in its central supply system, while commendable for purposes of broadening and equalizing the competitive base and assuring the receipt of acceptable products, results in unnecessary technical and administrative effort when the policy extends to drug items which, because of legal or regulatory restrictions, are obtainable from only one source.

The VA, after its appearance before your subcommittee in 1970, began developing specifications for 115 sole source items for which competition appeared feasible. We were informed on May 1, 1972, that 36 final specifications had been issued as a result of this effort.

In our last appearance before the subcommittee we reviewed the quality control activities of FDA, DPSC, and the VA. We have noted (1) apparent overlap of these activities, (2) the acceptable results obtained by VA from its minimal inspection efforts supplemented with the use of FDA's testing services, and (3) that substantial military procurements are made each year from Federal Supply Schedules and local vendors—about $21 million in fiscal year 1970—based only upon the quality assurance work of the FDA. We suggested in our statement that consideration should be given to assigning sole responsibility to FDA for inspecting drug contractor plants and testing products and quality control procedures.

So far as we are aware no action has yet been taken to consider the advisability and feasibility of centralizing drug inspection along these lines. The estimates of manpower requirements and administrative costs, including inspection activities, involved in the DOD and VA procurement systems for drugs are provided in appendix II.[1]

In our previous statement we suggested that closer cooperation between VA and DPSC could result in substantial savings in the procurement of drugs. Our subsequent review work confirms that improvements can be made.

We found little exchange of requirements data or coordination of procurements for drugs which are centrally stocked by both organizations, or those centrally stocked by one system but procured from either Federal Supply Schedule contracts or from local vendors by the other system. The VA negotiates several special contracts which exclude military activities and, in some cases, other civilian agencies from using them. The military uses Federal Supply Schedule contracts for its requirements for items in these special contracts and pays prices higher than those in the contracts. The lack of adequate cooperation and coordination has resulted in increased drug costs to the Government.

The VA has an agreement with DPSC under which it can buy drugs from DPSC for its central stocks. In fiscal year 1970 purchases from DPSC were only about $206,000. One drawback to this agreement is

[1] See p. 8824.