

ment of it. But it would seem to me that at the very minimum, GAO ought to make the determination for itself as to whether or not a profit is being made and its extent.

There is nothing in the statute, I take it, for any recapture, anyway. It is just to inform us, inform the Government, whether or not or what kind of profit is being made. Is it not? Am I correct on that? So that you can be forewarned for future negotiations, right?

Mr. STAATS. The purpose of the authority as included in the contract is to enable on a postaudit basis to go in to see whether the charges made against the contract are fair and reasonable.

Senator NELSON. Right.

Mr. STAATS. Now, if I understand what you are suggesting, it is that we ought to, in spite of the proprietary data information question, make public procurement on individual drug by drug itemization. And this is where we have the proprietary data question.

Senator NELSON. Well, I was not making any specific recommendation as to what ought to be and what ought not to be made public. You represent the Congress, which represents the American people, who pay the money. We ought to know when we negotiate a contract whether or not we are getting a fair price. That is the purpose, as I understand it. And if the price is not fair, you ought to negotiate a better price the next time, or negotiate with somebody else, or get a competitive bid, or go to Europe, which we have done once in awhile.

Mr. STAATS. Not very much, probably not as much as we should.

Senator NELSON. No, not as much as we should, when in fact, domestic prices are set artificially high. We have several tools, but the problem that bothers me is we do not seem to use them.

Now, are you saying that if a company is supplying several drugs—two or three or four or five different drugs—to the Government over a period of time, you think it is feasible to look at that negotiated price and then go look at their books?

Mr. STAATS. In terms of the total package, it might.

Senator NELSON. And then make some judgment as to whether or not you have a fair price? You are saying you can do that?

Mr. STAATS. I think it might be possible.

Senator NELSON. Well, what are the companies—

Mr. STAATS. Mr. Chairman, again, though, I think we are on your side in terms of what the objective is here. But I still have the feeling that we are putting the focus on the wrong thing.

We have been advocating for several years in testimony before this committee and before the Senate Finance Committee trying to get common specifications so you can get a broader procurement base. You cannot get advertised procurement if there is only one supplier. You have to go sole source.

Senator NELSON. Well, why have only one supplier? One supplier because of the way the specifications are drawn?

Mr. STAATS. Sure, in many cases.

Senator NELSON. We know we have a hundred cars in the marketplace—

Mr. STAATS. You recognize as we do that in the case of medicare and medicaid, the physicians and the intermediaries, the ones that are involved here, this is much more difficult to do unless the Government prescribes the way these drugs are to be procured.