

Senator NELSON. Or establishes a formulary.

Mr. STAATS. One of the reasons we have suggested that the FDA ought to play a part in this picture is that we think the FDA, as an independent agency separate from the procurement agencies, could play an important part in setting these kinds of specifications.

Senator NELSON. I think all these things are important. I just think that, like anything else, some of these are more important than others. But what, however, does concern me is that we appear to negotiate too much. What is the total amount of negotiated sales by all Federal agencies?

Mr. STAATS. A sizable portion of the \$240 million figure, in 1971.

Senator NELSON. Is negotiated.

Mr. STAATS. Yes.

Senator NELSON. Now, it seems to me that this may not be the biggest item, but if it is almost a quarter billion dollars per year, that is a billion dollars in 4 years; it seems to me we ought to check to find out whether we are getting value received. You are saying that you do not think this is as important as other things. I would not quarrel with that, but I think it is important to do something about, since apparently we do not do it in drugs. We never have, have we? Have we ever taken a case in the field of drugs and used that cost statute to find out whether we are getting a fair bargain?

Mr. STAATS. No. Factually, what you are saying is correct.

Senator NELSON. Then you are saying that you would raise several problems if you did it by product line, especially if you made the figures on the product line public. Well, reserving judgment about that—I do not know what the law is on the subject of making the information available—it seems to me we ought to look at some of these things on product line. But you are saying that you can do it by just looking at the whole cost of the company.

Well, supposing the company is supplying just one item.

Mr. STAATS. I do not know of any such company.

Senator NELSON. You mean the companies in question are negotiating on a number of drugs?

Mr. STAATS. Yes, sure.

Senator NELSON. What have the companies said to you? Have you asked them to look at their cost figures so that you can make a judgment overall?

Mr. STAATS. Not on this basis, no. As I told you in the letter which I sent to you on January 18, we were pursuing other avenues here to see whether we could not get a better fix on how we could reduce these drug costs.

We have not closed any doors in this area, Mr. Chairman. I do not want to leave the impression with you that we have. But we are pursuing all of these avenues. I think we are going to have to explore all these avenues before we are able to say to you that we have reached a conclusion.

Senator NELSON. Do you expect to take some action on these negotiated contracts and requests for their production data so you can make an overall judgment? In other words, they must have some cost data. How do they know what price to charge for the product?

Mr. STAATS. You have to recognize that again, the Government here is a very small customer, a very small customer—in most cases, less than 3 percent, or certainly less than 5 percent. So the companies are