ical specification, quality assurance, and supply operations functions, in order to give to the Director of Medical Materiel maximum flexibility and responsiveness in getting the drug to the customer on time and with adequate quality but at lowest attainable cost. We are proud of the fact that the Department of Defense buys the best drugs in the counry, and at the lowest price—but we intend to do even better.

Mr. GORDON. General, you just spoke about a reorganization proposal. Is this anything more than a reorganization proposal at this time?

General HAYES. At the present time, it is only a proposal which is being staffed through the DPSC. It will eventually come to the Department of Defense Installations and Logistics, and go through the normal staffing process.

Senator NELSON. Please proceed.

General HAYES. Mr. Chairman, in your letter of the 16th of May, you requested certain information regarding the procurement of drugs by the Department of Defense. This information is attached to my statement for the record. That completes my statement. My colleague and I will attempt to answer any questions you may have. I have attached the answers to the statement that I have just completed.

Colonel Lindsey and I will answer any further questions you may have.

(The attachments referred to follow:)

The following is a discussion of the nine questions outlined in Chairman Nelson's May 16, 1972, letter to the Secretary of Defense.

1. The system for identifying high volume local purchase items for central procurement and the extent of coordination with other agencies.

There has been no change in the system during the past year. Each of the three military services has a different system for identifying high volume local purchases. The Navy utilizes an "open purchase high dollar report" whereby all medical commands report quarterly drugs and other medical items that they have purchased locally. From these reports the Navy determines requirements for items to be recommended for entry into the system. Additionally, any field activity at any time may submit a recommendation for standardizing an item. The Army requires the semiannual reporting of cumulative purchases totalling $2,500 or more from 19 selected stations in the Continental United States, and DPSC records data on all local purchases from oversea stations. The Air Force has the most nearly complete system: computer tabulation of local purchases by item and by cost from 102 out of 122 Air Force stations worldwide accounting for about 91% of the total dollar value of Air Force drug purchases. Each of the services reports purchases of significant dollar value to the defense medical materiel board for consideration of standardization and central procurement. We are not aware of any coordination with other agencies prior to the time of standardization and development of specifications. However, these data will be made available to any agency which might ask for them.

2. The areas of cooperation and coordination with other agencies in the determination of requirements, specification development and use, procurement, and interagency requisitioning.

Both VA and HEW report to DPSC semi-annually for budgeting purposes the anticipated volume of purchases through the DOD system. DPSC is the dominant Federal agency in development of medical specifications; 95% of all Federal specifications for medical materiel are prepared there. These specifications are in wide Federal use. Technical coordination among Federal agencies is effected through the intra-governmental professional advisory council for drugs and devices (IPADD). The type of interchange of information includes specification data, plant inspections, defective or substandard material, and quality control experiences. Interagency requisitioning and interagency coordination of specific procuremets are limited. We are aware of the need for greater efforts in these fields, and we are most willing to work with other agencies.