

assurance that we are going to get a thoroughly good product. We have too many examples of firms who have had initial good performance and then have lapsed hopelessly in many aspects of systematic pharmaceutical management—large firms as well as small.

9. The inspection and testing requirements for drugs procured centrally as compared with the inspecting and testing requirements when drugs are procured locally or under FSS contracts.

Careful examination of the data available indicate that the problem of local purchase of drug items is far less than has previously reported to this subcommittee. The General Accounting Office has been unsuccessful in obtaining from VA the data necessary to substantiate the estimate of \$21 million per annum military purchases of drugs from Federal supply schedules. Sampling data from Air Force and Army stations, and DPSC data on local purchases for overseas stations indicate a drug local purchase expenditure service wide of somewhere between 10% and 15% expressed in dollars. Since local purchase and FSS procurement prices are significantly higher than prices for centrally procured items this would indicate that 90% or more of all drug dosages are from DPSC and thus covered by DPSC inspection and testing.

There are a lot of marginal drug products on the market today. Clear evidence of this is the number, type, and scope of recalls made by the food and drug administration. A recall protects the public from further harm, but it does not undo the harm that may have been done. We prefer to buy good products in the first place, not to replace poor products with others later. It is for this reason that we maintain an intensive testing and inspection program. It is for this reason that we generally prefer central procurement over local procurement or FSS contracts.

Nevertheless we recognize that central procurement is not possible in every instance for every item. New items constantly enter the system. Until we have experience from local purchase we do not know whether it is economically justifiable to procure the item centrally or not. When there is a real demand for a special item, but that demand is sporadic, limited to certain types of activities or low in total dollar volume the wisest decision may be to authorize local purchase of procurement on Federal supply schedule.

Even when an item is in the system, the taxpayer cannot afford to fund us for the maintenance of a safety level of drugs which will never run dry. DPSC is performing at 96% supply availability rate, an achievement of which they are justifiably proud. But this means that 4% of all requisitions are met with promise of future delivery, not actual delivery at the moment. The customer may not be able to wait; he must purchase the standard item from commercial sources, and pay a premium price.

The working order of priority at defense personnel support center is first to get the item to the customer; and to get it there on time; then to insure that the item is of adequate quality; and lastly to buy the item at the lowest possible price. When we can buy the item centrally at a low price; when we can insure the quality of the centrally purchased product; and when we can deliver it from the central distribution system on a timely basis—then we do so. When we cannot, the alternative is local purchase. Local purchase is the exception, not the rule. It is an expedient procedure in which we recognize the risk of limited inspection and testing.

We have no objection to turning over to FDA our job of inspection and testing, so long as they do it as thoroughly as we do. The only problem is that it will take FDA about 3,000 more highly skilled personnel to do the job for the country that we are doing for the Department of Defense.

Mr. GORDON. On page 4 of your additional statement you say: "Supplements to the Compendia continually add new drugs, but there is always a significant lag time, and some drugs which are frankly essential, or are drugs of 'best choice' have not yet been admitted."

Can you give us a couple of specific examples to illustrate that point?

Colonel LINDSEY. Yes, sir, for example, clyndamycin, spectinomycin. Spectinomycin is listed by the Medical Letter as the best drug of choice for gonorrhea. It is not yet in the Compendia.

Mr. GORDON. It is not yet in the USP.