that he holds in stock. He informs the physician as to which items are available in the station formulary and regularly used, so that the physician can consider alternatives. The pharmacist places an order for the drug with the hospital Supply Division, indicating whether or not he anticipates continuing use or use at infrequent intervals. If the drug is prescribed in small amounts and use is expected to be sporadic, the Supply Division purchases it from the nearest available source, delivers the entire quantity to the pharmacy and does not carry any warehouse stocks. If a drug is used in large amounts and repetitively prescribed, the hospital Supply Division procures it from the most economical source available to him, either the VA supply depot, a Federal Supply Schedule or a local distributor.

Each transaction is recorded in a central computer. Once each fiscal quarter, reports of all transactions are made to each hospital on its own operations, and a consolidated report of all VA stations is made to the VA Marketing Center in Hines, Illinois, and to the VA Central Office. The GAO has criticized the utility of this report because of its sheer bulk. As far as we know, this is the only report of its type made by any federal agency. We are trying to streamline it and to make it more useful. Meanwhile, we are making use of this report to determine which items should be procured centrally, which are of sufficient volume to obtain quantity discounts by inclusion on Federal Supply Schedules, and which can best be obtained by individual purchase at each hospital. We also use this report to monitor field station procurements to assure their use of the most economical source available. From these data, plus information on anticipated program changes, we plan our procurement actions.