

8632 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

With regard to our central procurement system, our policy is that we will acquire items from the lowest total cost source available to us. When the purchase cost plus the administrative costs of buying from another agency are lower than that which we can obtain by purchase from a contractor, we place orders on that agency for our requirements.

In the case of drugs, we look to the Defense Personnel Support Center as a potential source, since they are the only other major purchaser besides VA. Whenever there is indication that we can obtain our requirements from DPSC at a lower total cost than available to us by direct procurement, we ask them to furnish us with the item. For drugs that we buy in substantial volume, we routinely compare the DPSC price with the anticipated bid prices and initiate purchase action only when there is good reason to believe that we will obtain the item commercially at lower cost. Each year we furnish DPSC the anticipated annual volume of such drug purchases, identifying those items that we may ask them to buy for us.

Types of Contracts and Their Availability to Other Federal Agencies

Our policy is to procure drugs by open competitive bidding whenever we can obtain competition and be assured of a quality product. When we know the drug is manufactured by only one firm, usually because of patent rights, we negotiate with that firm for the product. We have been criticized for the amount of our procurement by "brand name." We believe this is partly due to our policy of listing items by brand name rather than by official or generic name when we know there is only one source, either licensed or with an approved Effective New Drug Application. Obviously, we could develop specifications for drug items