

items and that the VA has only for 25 percent. Why this great difference?

Dr. WELLS. It is simply because they have the practice of writing specifications for a drug even though there is only one source, a single source available for supply. It has been our practice not to write specifications unless they were required, unless by having the specification, we could get into competitive bidding. So it is just a difference in the mechanics of our practice on it.

We monitor this all the time so that if there is a patent expiring or a New Drug Application, we can come in over this and watch the economy of it. But we have not thought it was very meaningful just to write specifications when you knew there was only a single source available.

Mr. GORDON. Now, the Comptroller General told us that the VA administers the Federal Supply Schedule contracts under which Federal agencies can satisfy drug requirements by direct purchasing from drug manufacturers. In 1971, FSS purchases amounted to about \$64 million. A comparison of the prices paid show that you pay almost twice as much through the FSS as through direct purchasing. In other words, you might have been able to save \$32 million if you had bought it all through central purchasing.

Isn't it possible to get drugs more cheaply in some other way than your present alternative to central purchasing?

Dr. WELLS. As far as the purchase of the Federal Supply Schedules, this difference would seem to be overstated. There are single instances when the price differential is considerable, indeed, but it certainly would not amount to anything like a half of the total purchase. Now, there may be other elements of this that Mr. Cook would like to speak to.

Mr. GORDON. In fact, I spoke to Mr. Cook about this question.

Mr. COOK. Yes. The Federal Supply Schedules are made to be used for a variety of reasons, not just for drugs but for other commodities as well. One of them is to make drugs available to the small user, perhaps a health clinic, an employee health clinic in the Federal Government or something—who has no medical program of the scope of the VA or DOD or PHS, for example, so that his occasional need for items in small quantities can be met by ordering from that source. We only make these schedules where the price is less than is available to him in the community. This is one use.

Another is when we find that there is no advantage in price or not sufficient advantage in price in purchasing this for a central distribution system. And there are such instances as that, where the price is approximately the same whether you buy it and use the vendor's distribution system or whether you use your own.

Mr. GORDON. Well, I have some specific examples. For example, on diazepam, that is Valium, under direct purchasing, it is \$18. Under FSS, it is \$36; \$33.34, \$28.89, \$33.44. Sodium cephalothin, which is Keflin, direct purchasing is \$2.10. Under FSS, the Government is charged \$2.70, \$3.57 and it goes as high as \$3.82.

Then here is Garamycin. \$3.62 direct purchasing and \$4.80 under the FSS, \$4.41, \$4.66 and going as high as \$5.76. There is a substantial difference.