

8682 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

The enclosures are identified corresponding to your request number.

1. Total dollar volume of drug expenditures for FY 1971 by major therapeutic categories as identified in American Hospital Formulary (See enclosure).

(a) Total drug expenditures: \$70,569,820. (1) Purchases for Veterans Administration: \$57,952,296. (2) Purchases for other government agencies: \$12,617,524.

2. Total dollar volume of centralized purchases (these expenditures are included in item 1): \$39,829,329.

3. Total dollar purchases of drugs made by VA Hospitals locally for FY 1971:

(a) Purchases from Federal Supply Schedules: \$24,392,406. (b) Local suppliers (i.e., wholesalers, drug warehouses, and retail pharmacists: \$6,291,097. (c) Prescriptions filled by independent retail pharmacists for which reimbursement was made by VA: \$3,152,981.

4. The leading 50 centrally purchased drugs for VA, showing prices paid, amount bought, names of sellers, unsuccessful bidders (See enclosure).

5. Local purchases of these same 50 items showing item, quantity bought, unit, price paid per unit, name of seller, showing purchases from Federal Supply Schedules or wholesaler or local pharmacy. These items were purchased at the hospitals to meet an immediate requirement (See enclosure).

6. Total dollar volume of the 50 leading centrally purchased drugs is \$16,741,618. Of this quantity only \$1,230,432 could have been purchased competitively. The balance of these items are sole source or items not manufactured by small business. The amount of purchases going to small business was \$189,281. This amounts to 15.4% of the competitive purchases going to the following small business firms:

Halsey Drug Co., Brooklyn, N.Y., tetracycline capsules (250 mg, 100s) -----	\$44,254.00
Milan Pharmaceuticals, Morgantown, W. Va., tetracycline capsules, (250 mg, 100s) -----	87,497.00
Clifford Chemical, Newark, N.J., quinidine sulfate tablets, USP, (200 mg, 100s) -----	57,530.00

7. During FY 1971 the Chief Medical Director has taken the following actions to eliminate the purchase of unsafe or less than effective drugs, the combination drugs reviewed by the National Academy of Sciences/National Research Council, and expensive brand name products when cheaper and equally effective lower priced drugs are available.

(a) DM&S Circular 10-70-237, December 4, 1970, Subject: "Implementation of NAS/NRC Drug Efficacy Studies Information" was published to prescribe removal from the hospital formulary and eliminate purchase of drugs lacking substantial evidence of effectiveness or having an unfavorable benefit to risk ratio. Additionally, DM&S Circular 10-71-3, January 13, 1971, Subject: "Rational Drug Use" was published reemphasizing selection of drugs for rational use and providing more specific information to non-VA physicians concerning drugs available in VA pharmacies. These directives were followed up with DM&S Circular 10-71-16, January 20, 1971, alerting hospitals to be aware of the addition of individual items published in the Federal Register. The FDA's Index to the Federal Register decisions for NAS/NRC reviewed drugs was transmitted to our field stations July 13, 1971, by Professional Services Letter IL 11-71-44 together with all Supplements through April 30, 1971. Our Executive Committee on Therapeutic Agents has been studying these drugs for a more positive conclusion as to their efficacy in accordance with the time frame published in the Federal Register.

(b) Single source, sole source and generic listings are available to field stations for use by the prescribing physician. These drugs, depending on demand, are made available in the VA centralized distribution system at the lowest possible cost, or put in a Federal Supply Schedule contract.

8. List of drugs removed from VA's purchasing program during FY 1971. All stations were instructed to remove unsafe or ineffective drugs from their formulary, therefore, precluding purchase of these items. Many of these items were not in their formulary. Of those drugs listed as ineffective 186 were not stocked in the VA system. Items listed were removed from formularies by one or more stations (See enclosure).

9. The general principles of the Federal Procurement Regulations are followed in evaluating the reasonableness of prices offered under negotiated or advertised procurements. Prices offered are evaluated against published commercial price lists, institutional catalogs, price lists applicable to indefinite quantity