

Mr. GORDON. I have a table here, XXV, estimated Federal, State and local government expenditures for prescription drugs under DHEW sponsored health care programs. And I have \$1.487 billion.

Senator NELSON. That is the figure shown on the chart. I think we had better get it straightened out for the record in any event.

Mr. SEGCEL. I may just have the Federal portion here. I am not sure; I will have to check that.

Mr. BRANDS. Mr. Chairman, 55 percent or \$480 million is the Federal portion, the 55 percent.

Mr. GORDON. So for both Federal and State it comes to about \$1.5 billion, is that correct?

Mr. BRANDS. That is right.

Senator NELSON. Go ahead now that we have that straight for the record.

Mr. SEGCEL. I would now like to discuss our direct purchasing policies and procedures. All centralized drug purchasing is by generic name with specifications for the finished drug product. Drugs in the direct care programs are purchased by generic name to obtain the lowest cost consistent with no sacrifice in quality when the product is produced by more than one manufacturer.

The Medical Supply Service Center at Perry Point, Md., is a mandatory source of supply for the Department's direct care programs. It generally does not purchase or stock a drug product unless there is a saving for the ultimate user of that drug product, as compared to purchasing it from the Veterans' Administration Depot, under the Federal supply schedule contracts or in the open market. However, it is also a service center as the name implies. As you are aware, most drug products are not dispensed to the patient in the quantities available commercially. They have to be counted or measured by the pharmacist in the sizes necessary for the length of treatment of the patient's condition. This counting and measuring are time consuming at the local hospital and clinic. One of the services provided at the center is prepackaging drug products in various sizes for the hospitals and clinics. This is done by machines. This service saves considerable man-hours at the health facilities.

Mr. Chairman, with your permission, I would like to skip the detail, unless you wish to go into it, concerning how we handle competitive bidding.

Senator NELSON. That is all right.

Mr. SEGCEL. This will be in the record.

The Department policy in the bidding process when the cost is estimated at \$5,000 or over is to advertise in the Commerce Business Daily, giving details of the product on which a bid is requested. A closing date is listed in the advertisement. When bids are received, they are opened on a specific date at a specific time. The lowest bidder is awarded the contract unless there is reason to believe his product will not meet specifications. If there is a tie bid and one of the bidders with the tie bid is a small manufacturer, the small manufacturer will be awarded the contract.

When the cost of a drug product being considered for bid is between \$2,500 and \$5,000, bids are mailed to manufacturers that have requested to be placed on the bidding list and to others that manufacture