

8802 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

--Coordination and cooperation between Federal agencies which buy drugs.

--Procurement of drugs of foreign origin.

--Policies and practices pertaining to furnishing drugs under the Medicare and Medicaid programs.

Estimates indicate that direct Federal procurements of prescription drugs amounted to about \$240 million for fiscal year 1971. Most of these procurements were made by the Defense Supply Agency, through the Defense Personnel Support Center (DPSC), and the Veterans Administration (VA).

DPSC manages about 1,100 drug items on a centralized basis and spent about \$95.5 million for drugs in fiscal year 1971. The VA manages about 450 drug items on a centralized basis and procured for central stock drugs valued at \$27.4 million in fiscal year 1971. The VA also administers Federal Supply Schedule contracts under which Federal agencies can satisfy their drug requirements by direct purchases from drug manufacturers. Purchases under these contracts by all Government agencies for fiscal year 1971 amounted to about \$64 million. The Public Health Service centrally manages about 600 drug items and spent an estimated \$14.2 million for drugs in fiscal year 1971. About 50 percent of this amount was spent under contractual arrangements made by VA.

A substantial portion of Federal expenditures for prescription drugs are indirect, consisting principally of the Federal share of the cost of drugs provided to beneficiaries under the Medicare and Medicaid programs. The Department of Health, Education, and Welfare (HEW) estimates that Medicaid expenditures for prescribed drugs for fiscal year 1971 amounted