The VA has an agreement with DPSC under which it can buy drugs from DPSC for its central stocks. In fiscal year 1970 purchases from DPSC were only about $206,000. One drawback to this agreement is the add-on of surcharges by DPSC and the VA Marketing Center for drugs supplied to VA field stations. DPSC charges the VA Marketing Center its standard price (cost plus 7 percent) plus a 3-1/2 percent surcharge for packing, handling, and crating costs for medical items shipped from DPSC depots; a total add-on of 10-1/2 percent. For items shipped directly from a vendor to the VA depot, DPSC adds a one percent surcharge, for administration, to the cost of the items. The VA Marketing Center adds an 8 percent surcharge on all items bought from DPSC to recover its operating costs.

VA field stations do not order directly from DPSC because the VA requisitioning system requires the stations to submit requisitions, other than for local procurements, via the VA Marketing Center. As a result, certain drug items are purchased by the field stations from either the Federal Supply Schedule contractors or local vendors at substantially higher prices than they could obtain them from DPSC. The flow of drug items from DPSC depots or manufacturers to VA depots and then to VA field stations is cumbersome and results in extra handling and added transportation costs.

Even though the addition of surcharges discourages procurement from, or through DPSC, we found many cases where ultimate prices to the VA stations would have been significantly lower than the prices paid by these stations. For example, if VA field stations had purchased Aristocort