

PROCUREMENT OF DRUGS OF
FOREIGN ORIGIN

Studies by HEW covering world drug prices in 1970 and 1971 show that prices charged by manufacturers to druggists in the United States were generally higher than prices charged to druggists in other countries for the same drug. Recent comparative data is provided in Appendix III.

Although drugs of foreign origin are frequently priced lower than comparable drugs of domestic origin the following factors influence procurement of the cheaper drugs:

1. FDA's New Drug Application (NDA) requirements. DoD and VA normally will not procure drugs which require an NDA approval from firms which do not have them. Foreign firms sometimes do not have the required NDA approval.

2. Inability of some foreign firms to satisfy American manufacturing standards for such matters as quality control and good housekeeping.

3. Possible legal action on patent infringements.

4. Implementation of the Buy American Act (41 U.S.C. 10 a-d).

For evaluating bids or offers of foreign firms for their products against offers of domestic products, civilian agencies are required by the Federal Procurement Regulations, which implement the Buy American Act, to add to the foreign bids or offers a price differential equivalent to 6 percent, inclusive of import duties, or 12 percent, inclusive of import duties, if the low domestic bid is a small business or distressed labor area concern. Military departments generally add a price differential of 50 percent to bids or offers of foreign products, exclusive of import duties, for evaluation