

Mr. Staats, the Committee is very pleased to have you appear here today. We are well aware of the extensive work you and your agency have been doing in the field. We recognize it is a very valuable contribution to the problem that we are dealing with here.

Your statement will be printed in the record and you may present it however you desire. And would you identify, for the record, your associates so that the reporter will know who they are in the event they have some comment to make?¹

STATEMENT OF HON. ELMER B. STAATS, COMPTROLLER GENERAL OF THE UNITED STATES GENERAL ACCOUNTING OFFICE, WASHINGTON, D.C., ACCOMPANIED BY GREGORY J. AHART, DIRECTOR, MANPOWER AND WELFARE DIVISION, GENERAL ACCOUNTING OFFICE; DEAN CROWTHER, DEPUTY DIRECTOR, MANPOWER AND WELFARE DIVISION; JAMES D. MARTIN, ASSOCIATE DIRECTOR, MANPOWER AND WELFARE DIVISION; AND PAUL SHNITZER, ASSOCIATE GENERAL COUNSEL, GENERAL ACCOUNTING OFFICE

Mr. STAATS. Thank you, Mr. Chairman. To my immediate right, Mr. Gregory Ahart, who is the Director of our Manpower and Welfare Division; to his right, Mr. Dean Crowther, who is Deputy Director of that Division; Mr. James Martin here to my immediate left is an Associate Director of that Division; and Mr. Paul Shnitzer, Associate General Counsel, of the GAO.

Mr. Chairman, in the interest of saving time for questions and for your next witness, I will try to summarize and paraphrase the statement which you have before you, and I will refer to it by page as we go along.

I believe we can cover the substance of the statement and speed up the process. We are going to be covering today in our testimony three subjects. One is our December 6th report on Federal procurement of drugs; second, the status of Federal efforts to promote the use of formularies and encourage the use of lower priced drugs, including generics; and third, the status of actions taken by the Federal agencies to assure that only effective drugs are procured.

On page 2, we point out that Federal expenditures and reimbursements for prescription drugs amounted to about \$1.6 billion in fiscal year 1973, which is an increase of more than \$44 million over the expenditures for 1972. And, more significantly, a \$500 million increase since 1970.

This amount includes about \$252 million in direct drug purchases by Federal agencies, and reimbursements of over \$1.3 billion under federally sponsored health programs such as medicare and medicaid, which have increased some \$430 million since 1970, thus accounting for more than 80 percent of the total increase. The increases in medicare and medicaid expenditures account for virtually all of the increases in the reimbursement programs.

Senator NELSON. What was that total increase?

¹ See information beginning at page 10497.