Mr. STAATS. Now on page 4 we point out, in the first full paragraph, that pending legislation which would increase Federal participation in health care activities, suggests that Federal expenditures for drugs may increase in the future, and perhaps very substantially.

During the first session of the 93rd Congress, numerous bills were introduced which dealt, in part, with drug purchases under the medicare program. Most of these bills included provisions to extend medicare to cover the costs of certain drugs to be dispensed to eligible recipients on an outpatient basis, and used to treat specified chronic illnesses.

The Social Security Administration estimates that such an extension of Medicare coverage would cost about $1.1 billion a year.

Now on the next page, we point out that several national health insurance proposals are currently under consideration. The passage, obviously, of a national health insurance plan would represent a major upward impact on Federal outlays for drugs.

Now, turning to our December 6th report, we discussed the effectiveness of Federal agencies' administration of programs and activities relating to the direct procurement and supply of drugs.

This matter has been a subject of interest since at least 1963 when Federal agencies began studying the possibility of a single agency having Government-wide responsibility for managing pharmaceuticals. In February 1971, the General Services Administration, and the Department of Defense, agreed to assign medical material to DSA—that is the Defense Supply Agency—for integrated management, but the assignment was deferred pending the outcome of a comprehensive study proposed by the OMB in June of 1971.

Now this study was started in January of 1972, just 2 years ago.

Senator NELSON. What was the outcome of the discussions involving the proposal to have all purchasing concentrated in just one agency?

Mr. STAATS. I come to that a little bit later, if that is all right. I believe it is covered.

As of December 1973, no final agreement had been reached as to whether a single manager for drugs would be established. Our report supports the need for coordinated action in procuring and supplying drugs.

In summary, we concluded that significant savings and other advantages could result from greater coordination and cooperation between the agencies in procuring drugs, such as consolidating requirements, making joint procurements, and reducing small-quantity local purchases by authorizing use by any Federal agency of any centralized Government supply source.

Second, there should be increased use of specifications for drug products to encourage greater competition and central management of drugs to reduce costs.

Third, better reporting of drugs bought locally and better use of related reports would improve selection of items for central management.