

10440 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

cost and to improve the procurement and supply of drugs in the Federal Government.

As you are aware Mr. Chairman, the major activity within the Department procuring drugs is the Defense Personnel Support Center (DPSC). Last fiscal year the dollar value of drug purchases by the center amounted to \$91.4M.

DPSC is continuing its effort to reduce the cost of drugs. One such area is in the procurement of single source drug items which are negotiated on a noncompetitive basis.

Pursuant to Public Law 87-653, certified cost or pricing data must be obtained for negotiated contracts amounting to \$100,000 or more, unless the price negotiated is based on adequate price competition, established catalog or market prices of commercial items sold in substantial quantities to the general public, or the price is set by law or regulation. Contractors supplying these drug items to DPSC claim exemptions from the requirement of Public Law 87-653 to submit certified cost or pricing data on the bases that these items are commercial items with established catalog prices and are sold in substantial quantities to the general public.

The prices which DPSC receives on its single source drug procurements are as low or lower than those received by any