

Dr. LEE. Yes.

Mr. GORDON. Dr. Lee, your estimated 1970 expenditures for drugs was \$57.2 million. Your expenditure in 1973 was \$86 million, an increase of 50 percent in a 3-year period. What accounted for this very large increase?

Dr. LEE. Mr. Cook.

Mr. COOK. Mr. Gordon, in each of the last 3 years the number of patients treated in our hospitals has increased by 10 percent. The number of out-patients treated in the Veterans Administration has increased by an average of 30 percent each of the last 3 years primarily due to legislation that increased the number of veterans who were eligible for drugs and medicine at VA expense.

Senator NELSON. Please proceed, Doctor.

Dr. LEE. This single \$86 million item represents more than 3 percent of all costs of operating the VA's medical program, and is a significant element of the cost of providing medical benefits to our Nation's veterans.

We have, Mr. Chairman, submitted a statement for the record. It may be that you would like me to scan this statement, including some response to questions posed by your staff, or perhaps you would prefer to enter questions at the moment. We can do either way.

Senator NELSON. If you have no objection, we may ask some questions as you go along. But you present it however you desire.

Dr. LEE. All right, sir.

You had presented some items to us. There are four. We will discuss each of these in sequence.

The first were the efforts of this Agency to reduce costs and to improve procurement and supply of drugs in the Federal Government;

Second, actions taken to implement the recommendations in the Comptroller General's report on drug procurement, dated December 6, 1973;

Third, our view concerning the consolidation within the FDA of quality assurance activities relating to Federal procurement;

Fourth, the efforts of this Agency to promote the use of formularies; encourage the use of generic drug products; and to assure that only effective drugs are procured and used in VA programs.

In that item 1, rather than read the entire statement I can run through the summary which has to do with reduction of cost and procurement.

We continue, Mr. Chairman, to carry out our efforts to procure more drugs competitively, using nonproprietary descriptions and generic designations.

Our drug procurement program is managed as an integrated unit, employing purchasing and supply through three different methods, which are complementary. These are (1) consolidation of requirements for central procurement and distribution through our wholesale depots; (2) contracts which are published in a Federal Supply Schedule against which our hospitals can write delivery