

10454 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

was \$24. So there is a case where the local purchase price was almost half of what the Federal Supply price was and the direct purchase was about one-twentieth of the Federal Supply price. I am inserting some other interesting examples into the record at this point.
[The information referred to follows:]

VETERANS' ADMINISTRATION—1972

Product	Direct purchase	FSS	Local purchase	
			Highest	Lowest
Ampicillin:				
250 mg 100.....	\$3.61	\$10.45	\$25.25	\$4.28
500 mg 100.....	7.19	12.50	48.00	6.25
Chlorpheniramine: 4 mg 1000.....	.76	18.05	21.66	7.00
Isoniazid.....		6.60	8.00	1.85
Meprobamate: 400 mg 1000.....	2.60	42.00	61.80	24.00
Chlorhydrate: 7½ gr 100.....	1.25	2.02	4.78	1.20
Erythromycin stearate: 250 mg 100.....	2.82	13.08	20.61	8.35
Diphenhydramine: 50 mg 1000.....	3.62	9.63	18.35	24.65
Pentaerythritol tetranitrate: 10 mg 1000.....	9.44	22.41	27.00	4.55
Ferrous sulphate: 300 mg 1000.....	1.15	9.35	11.00	5.64
Conjugated estrogens: 1.25 mg 100.....	4.00	5.64	7.20	

Mr. COOK. The drug is in our system at \$2.60 on a competitive or generic basis. The \$42 I suspect was charged by the innovator of the drug. The \$24, I do not know. The reason we pay these prices in these purchases of 1's, 2's, 3's, is when we have a prescription written for a particular drug and it is not written in a manner that permits its dispensing on a generic basis. We have approximately one-third of the Nation's physicians writing prescriptions for our veterans. When they indicate they will accept only a particular drug we buy that drug on a local basis.

Senator NELSON. Are you talking about physicians who are prescribing in a veterans hospital?

Mr. COOK. They are not necessarily prescribing in a veterans hospital, but the prescription is filled in a Veterans Administration pharmacy. We encourage the so-called fee basis physician of which we have over 100,000 actively prescribing today; we encourage them to mail these prescriptions to our pharmacies to be filled rather than have them filled in the local retail pharmacy.

Senator NELSON. Well, when you say local purchase, does that not mean the local retail pharmacy?

Mr. COOK. In many cases that is true; yes, sir.

Senator NELSON. Well, then, it still baffles me why the price on the Federal Supply Schedule for meprobamate is \$42 while the local pharmacy can charge and make a profit at \$24.

Mr. COOK. Senator, I will check these, but in most cases you will find the differences as to whether the prescription was written for a particular product or not. They do maintain quite different price schedules, as you know.

Senator NELSON. Do you follow the policy, then, even though there is in the marketplace a number of versions of the same compound with varying prices, if the physician prescribes the highest priced one in the marketplace, you will pay that?

Dr. LEE. Let me remind you that 106 of our hospitals are affiliated