

Senator BEALL. Do you suggest to the American Medical Association it might be in the interest of the consuming public or the American Government they do?

Dr. LEE. We have not done this and we would be interested if the American Medical Association wanted a suggestion.

Senator BEALL. Do you think it would be advisable to give them one anyhow, whether they wanted it or not?

Dr. LEE. No, sir, in the context that we maintain public relations at the physician level.

Senator BEALL. It seems to me if you have information in the public good the intended recipient should not say whether he wants the information; just give it to them and let them bear the burden.

Dr. LEE. Some of our military cohorts suggest that one not volunteer.

Senator BEALL. Maybe some nonmilitary cohorts ought to suggest that maybe you do.

Senator NELSON. Please proceed.

Dr. LEE. We have increased the volume of drugs procured by this method from about \$500,000 to \$9 million in 3 years. The remaining items are contracted for on the basis of the suppliers' entire product line and not on an individual item basis. Offerers are required to disclose their best price to each category of customer such as wholesalers, distributors, State and local governments, nonprofit hospitals, et cetera. We negotiate with each supplier for a discount. If no price advantage below the lowest obtainable without a contract can be negotiated, we do not award a contract. Discounts are negotiated for the entire product line and not off list prices of individual items. This same practice is followed for multiple-award Federal Supply Schedules for other commodities purchased by the Federal Government in this manner as well as drugs. This is generally because of the large number of items involved. In the case of drugs alone, the estimates on the number of items and the various brands vary from 33,000 to over 60,000.

Since manpower was not available to negotiate individually for each item, we selected about 50 different items—over 250 contract line items—which we felt represent the significant dollar purchases—over \$50,000 annually per item. We have negotiated for 30 of these drugs out of the 50 on an item-by-item basis and have just published an experimental contract—FSC Schedule 65, part 1, section C. We are still negotiating for the remaining 20. This schedule consolidates into one place the competing products and shows the exact price of each. It provides the purchaser for the first time with the opportunity to compare prices without research through voluminous catalogs and price lists.

Senator NELSON. How many classes of drugs are on that schedule?

Dr. LEE. There are 50 which we have been carrying through, 30 of which we have gone over item by item.

Senator NELSON. And this schedule shows the price range for a number of manufacturers; is that it?

Dr. LEE. Yes, sir.