Senator NELSON. Please proceed.

Dr. LEE. In your item 2 which has to do with actions on the Comptroller General's report, it proposes a number of changes in the management of our drug procurement program. We have indicated our general agreement with this report and our intention to implement those recommendations which relate to the VA. The current status of each recommendation involving us is as follows:

A study led by OMB with representatives of GSA, DOD, VA and HSW, has been completed and is currently being circulated to the heads of the departments and agencies concerned for final decision. The study and report relate to other medical items as well as drugs, and proposes the consolidation of requirements, the use of both VA and DOD central systems to purchase and distribute all Federal agencies' medical requirements, the authorization to field installations of VA and DOD to use the central purchase and distribution facilities of either agency. I note this was a point made by General Hayes this morning.

We anticipate that the final positions and a Government policy will be developed on this report shortly. In the meantime, discussions have already begun between DOD and VA officials on the methods and procedures necessary to achieve central purchasing facility.

We have, for several years, checked with the Defense Personnel Support Center prior to initiation of purchase action from our Marketing Center. If DPSC has the item in stock at a favorable price, we requisition from them rather than purchase from commercial suppliers. Our current level of procurement of drugs from DPSC is $800,000 annually. We also acquired over $400,000 in drugs from the medical emergency stockpile in fiscal year 1973. Altogether in fiscal year 1973, our sales of drugs to other Federal Government agencies from our own central supply system amounted to $3,500,000. We awarded contracts valued at $54 million, which they used.

The GAO report contained a recommendation that the VA should develop specifications for all new drugs which VA decides to manage centrally. We have implemented this recommendation to the extent we feel it appropriate. That is, 175 items which can be procured competitively. We have developed specifications for those items which can be procured competitively. We feel it is unnecessary to develop specifications for those drug items for which we know there can be no competition because of patents, or if the drug is sufficiently prescribed in official compendia.

Another recommendation proposes that DOD and the VA should consider jointly developing specifications which would satisfy all Federal agencies' drug requirements. We are happy to go forward with this. As a matter of fact, we have used the DOD specifications in developing our own for drug products.

We accept this recommendation. We have for several years used DOD specifications, modified as required, in developing VA specifications for drug products. At the same time, we have made available our specifications to DOD. A control system would assure a more effective joint effort and, in most instances, would result in a