

and they do not give you a discount sufficient to make it worthwhile to put it into your depot system?

Mr. COOK. Merck has given us a discount for the product over the commercial price in placing it on the Federal Supply Schedule. They have not given us sufficiently greater discount to make it worth our while to offset the cost, as a matter of fact, of placing it in our central depot system.

The current price which they have offered us, I think the schedule price is a little higher, for the 250 milligram 100 tablet bottle is \$5.01. I believe that is below—certainly it is below the retail market price. I can personally attest to that because I use the product. I know what I pay for it.

Senator NELSON. What do you pay for it retail?

Mr. COOK. \$8.

Senator NELSON. So they are giving the Government the magnificent break of selling it for \$5. I would guess, then, that the retailer is buying it about as cheaply as the Government.

Mr. COOK. That is possible, sir.

Dr. LEE. You asked our reaction, sir, and our reactions are two.

The first is we would like to negotiate a better price. The other is something we have been following through repeatedly and are doing so in this particular instance, and that is to seek through research in the VA drugs which are equally effective, perhaps less in price.

Senator NELSON. You say you get it from the Federal Supply Schedule for \$5—

Mr. COOK. The Federal Supply Schedule.

Senator NELSON. You are able to purchase it at retail for \$8?

Mr. COOK. Yes, sir.

Senator NELSON. It would surprise me if the Government is getting it any cheaper than the retailer because it has to go to the wholesaler and from there to the retailer, each one getting a markup. The average retail markup around the country has been about 66-2/3 percent. If that is so, the Government is paying as much to Merck as the retailer. But it shocks me that a company would take the benefit of the research of the Federal Government, the drug then becoming one of its largest sellers—a drug for which the use was discovered, developed, proven by a Federal institution—and then turn around and not give them a break on the price. If NHI had taken a use patent on it as we should have, we would have been able to get a fair break on it.

Mr. COOK. We intend continuing to negotiate with them.

Senator NELSON. Let us know how you come out. I will check the price that is supplied to the retailer.

Please proceed.

Dr. LEE. We are coming to the conclusion of our statement, Mr. Chairman.

Every effort is made to assure that VA does not expend more than necessary for drug products. The problem is both simple and complex. It appears simple, since the mechanisms are available for