

10582 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

HOW TO IMPROVE THE PROCUREMENT
AND SUPPLY OF DRUGS IN THE
FEDERAL GOVERNMENT
Department of Defense
Veterans Administration
Department of Health, Education,
and Welfare
Office of Management and Budget
General Services Administration
B-164031(2)

D I G E S T

WHY THE REVIEW WAS MADE

Because of congressional interest in, and the magnitude of Federal expenditures for, drugs, GAO reviewed procurement and supply practices of agencies responsible for most of the Government's direct procurement of pharmaceuticals.

Direct drug purchases exceeded \$275 million in fiscal year 1972, and estimated indirect purchases for such programs as Medicare and Medicaid were more than double that amount. Principal agencies concerned were the Department of Defense (DOD) and the Veterans Administration (VA).

FINDINGS AND CONCLUSIONS

Greater cooperation and coordination in procuring drugs would result in savings

DOD and VA operate procurement and supply systems largely independently of each other.

Although they stock about 200 of the same drugs--frequently bought from the same suppliers--and support numerous field installations throughout the United States, these two large agencies have had little

exchange of requirements data or coordination in their procurement. (See pp. 8 and 9.)

GAO tests of drug purchases during a 3-year period showed that, in many cases, DOD and VA had paid the same manufacturer different prices for large quantities of the same drugs within the same general time frames.

Since drug prices usually are lower for purchases in large quantities, substantial savings could be realized if VA and DOD were to procure drugs jointly. (See pp. 9 and 10.)

DOD and VA procedures for developing their drug requirements are similar. To consolidate procurement the requirements of the two systems could be coordinated without undue difficulty.

Medical facilities supported by the Defense Personnel Support Center may not order from VA central stocks drugs not stocked by that Center. Similarly, VA medical facilities may not order directly from that Center.

Consequently, these facilities purchase drugs they cannot obtain from their own central supply organization from Federal Supply Schedule