

## COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY 10583

contracts or directly from vendors in small quantities at much higher prices. (See pp. 10 to 12 and app. I.)

About \$420,000 could have been saved in the 3-year period if DOD and VA medical facilities had acquired drugs from one another's central stocks.

For example, from July 1970 to December 1971, military hospitals purchased macrodantin directly from the manufacturer for \$555,000 because it was not carried in DOD's central stocks. At that time VA was purchasing this drug for its central stock and paying about 48 percent of the amount paid by the hospitals. (See p. 11.)

Uneconomical local procurements of drugs should be avoided whenever practicable. The availability of DOD and VA central stocks to all Federal field facilities should reduce the frequency of these procurements.

### Benefits of specifications and central management in procuring pharmaceuticals

Specifications defining drug product characteristics encourage competitive procurement and should reduce the cost of drugs. Use of these specifications has expanded. A revised DOD policy for approving drugs for central management would improve drug procurement.

--From October 1970 to June 1972, the VA Marketing Center prepared and used 85 new specifications for procuring drugs. As a result it saved nearly \$1 million annually. (See pp. 19 and 20.)

--Under its current policy DOD will not procure a drug by central procurement unless (1) data sufficient to develop specifications is available or (2) all three military services concur in designating a single procurement source.

GAO brought the macrodantin case to the attention of the Defense Medical Materiel Board. The Board's policy resulted in substantial excess costs being incurred because the drug was not bought centrally. Although the Board then authorized central management of the drug on a sole-source basis, it did not change its policy. (See pp. 11, 20, and 21.)

Savings should continue if specifications are developed for new drugs and those managed centrally for which no specifications have been prepared. DOD could also realize substantial savings if it would amend its policy for approving drugs.

Since many drugs for which the Defense Personnel Supply and VA Marketing Centers prepare specifications are basically the same and since the number of these items should increase, duplicate effort could be avoided and technical talent could be better used if the Centers cooperate in preparing specifications. (See p. 20.)

### Uniform reporting of drugs bought locally and more effective use of related reports would improve selection of items for central management

Bulk purchases of drugs for central stocks are substantially lower priced than smaller purchases. The primary method of identifying drug items for central DOD and VA management is through review of reports from field