

10584 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

activities of purchases made directly from vendors. However:

- The reporting systems of the military services for local purchases differ in many important respects, exclude certain purchases, and hamper the identification of drugs for potential central management. (See pp. 24 and 25.)
- The voluminous VA report contains no summary by drug items to facilitate a review of purchase information. (See p. 26.)

Because of weaknesses in the reporting systems, VA and DOD may be procuring many drugs locally, instead of centrally, at unnecessarily high prices. (See pp. 24, 25, and 27.)

Overlapping quality assurance activities

DOD and VA have different systems for inspecting manufacturers' plants to insure that they qualify as supply sources and that the drugs are of required quality. These inspections are additional to those made by the Food and Drug Administration (FDA), which is responsible for checking manufacturing practices and conditions under which drugs are made in the United States.

RECOMMENDATIONS

To promote Federal agency cooperation in procuring drugs:

- The Director, Office of Management and Budget (OMB), should lead in developing--with representatives of the General Services Administration (GSA); DOD; VA; and the Department of Health, Education, and Welfare (HEW)--policies and procedures, including consolidating requirements, to increase agency

cooperation in buying drugs and achieve substantial savings through large-volume buys. Field installations should be authorized to obtain their drug requirements from any centralized Government supply source. (See pp. 13 and 14.)

- The Administrator, VA, should develop specifications for (1) all new drugs which VA decides to manage centrally and (2) centrally managed drugs for which it currently has no specifications. (See p. 22.)

- The Secretary of Defense should revise DOD policy to insure that drugs will be obtained centrally whenever savings would result. (See p. 22.)

- The Secretary of Defense and the Administrator, VA, should consider jointly developing specifications which would satisfy all Federal agencies' requirements. (See p. 22.)

- The Secretary of Defense should (1) develop, for reporting local drug purchases, a uniform reporting system aimed at requiring all military activities with individual drug purchases exceeding specified criteria to report their purchases and (2) require centrally managed drugs purchased from other than a central manager to be reported. (See p. 28.)

- The Administrator, VA, should require that VA's Central Office Supply Service (1) prepare lists of summary and exception data from the information reported, (2) require local field stations to report their purchase data correctly and consistently, and (3) see that all vendors report detailed sales data when required by contracts. (See p. 28 and 29.)