

COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY 10593

below, savings would result from eliminating buys through FSS contracts and buys directly from vendors at prices which, almost invariably, are substantially higher than those paid by central managers. (See app. I.)

The military departments have not arranged for their activities to purchase from VAMC depots drugs not centrally managed by DPSC. Also, VAMC has negotiated several special contracts which military and, in some cases, civil agencies cannot use. The prices under these contracts are lower than those for the same drugs sold under FSS contracts. VA field stations may not requisition directly from DPSC.

Effects on medical facilities

When individual medical facilities cannot obtain their required drugs from central stocks because of interagency restrictions or impediments, they purchase them through FSS contracts or directly from vendors in relatively small quantities and usually at much higher prices. Following are examples of the additional costs incurred in such circumstances.

1. From July 1970 to December 1971, military hospitals purchased macrodantin through FSS contracts for \$555,000 because DPSC did not stock it. At this time, VAMC was purchasing the item for central stock and paying about 48 percent of the FSS price. After allowing for VAMC's 8-percent surcharge, the hospitals would have saved about \$270,000 by purchasing the item from VAMC, which had procured it centrally in bulk quantities. After we brought this situation to DMMB's attention, it arranged for DPSC to centrally procure, stock, and manage this drug, and the prices negotiated were comparable to those negotiated by VAMC.
2. Sales records of purchases totaling about \$6.1 million made from four vendors during a recent 2-year period showed that the Government incurred over \$214,000 in excess costs because military and VA medical facilities bought many drugs directly from them or under FSS contracts at prices higher than those paid by DPSC and VAMC for the same drugs for central stock. Even after allowing for DPSC and VA