

10598 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

We agree with OMB that quantity is not the only factor that affects the prices the Government pays for drugs. However, we believe that ordinarily it is a major factor, as evidenced by the differences in prices paid for the same drugs bought in relatively small quantities under FSS contracts or local procurements and those paid by a central procuring organization for large definite quantity contracts. (See app. I.) Our analysis of the prices paid for 68 drug items showed that the FSS prices for 29 items were from 5 to 366 percent higher than the definite-quantity-contract price. Also, in a study (B-164031(2), Nov. 22, 1972) comparing prices paid for the same drug items by DPSC and VA with those paid by nonprofit organizations that buy drugs on a group basis for private hospitals, we found that the Government paid lower prices for 28 of the 31 leading drug items which these organizations and the Government bought. The Government bought substantially larger quantities of 25 of these drug items. We believe this undoubtedly had some effect on the prices paid.

OMB stated that the preferable approach would be to combine the best aspects of each existing procurement system into one system. We do not disagree; however, as stated on page 7, the possibility of a single system has been under consideration since 1963 without result. We believe that, until a viable single system is designed, actions in line with our recommendations would improve the existing drug procurement and supply operations.