

CHAPTER 3

BENEFITS OF SPECIFICATIONS AND CENTRAL

MANAGEMENT IN PROCURING DRUGS

Efficient procurement and management of drugs depend largely on obtaining effective competition and sound policies for approving items that warrant central management. VA has improved its drug procurement by increasing the number of specifications available for procurement personnel to use in obtaining competition for VA's requirements. DOD could save more in procuring drugs by revising its policy for adopting items for central management.

DEVELOPING SPECIFICATIONS

VAMC and DPSC prepare drug specifications for procurement personnel to use in advising potential suppliers of the characteristics that drugs must meet and to generate competition for the Government's requirements. In many cases, however, due to patents or regulatory restrictions on the products the Government requires, procurement is limited to a single source.

However, our comparison of central procurements of 13 drugs by competition based on specifications and on a sole-source basis demonstrates the advantages of seeking broad competition. During a 2-year period lower average prices were obtained on 11 of these items when they were obtained competitively, and we estimated the Government would have saved about \$338,700 on these 11 items had they been bought competitively in all instances. The quantities purchased by each method were different. This probably accounts for some of the price variation, but the primary reason seemed to be competition.

Preparing specifications can be difficult. For instance, the data for writing them is ordinarily obtainable only from manufacturers. Sometimes the manufacturers furnish incomplete information or none at all, especially for proprietary items, because they recognize that disseminating complete and accurate data in specifications will probably result in greater competition for Government, and possibly commercial, requirements for their drugs.