

COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY 10633

APPENDIX VI

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

JUL 20 1973

Mr. Gregory J. Ahart, Director  
United States General Accounting Office  
Washington, D.C., 20548

Dear Mr. Ahart:

This is in response to your letter to the Director requesting our comments on the GAO draft report entitled "Opportunity to Improve the Procurement and Supply of Pharmaceutical Drugs."

We are in general agreement with the thrust of the draft report that significant improvements can be made and economies achieved in the procurement, inspection, storage and supply of pharmaceutical drugs. While we have no objection to the recommendation in the draft report that the Office of Management and Budget take the leadership in an inter-agency effort to effect these improvements, it should be pointed out that such an effort has been underway for some time under OMB leadership, and we expect the results to provide the basis for decisive action with respect to the procurement and supply of medical material and non-perishable subsistence as well as drugs and pharmaceuticals.

The conclusions and recommendations contained in the draft report with respect to the consolidation of requirements, single procurement, central storage and inventory management seem more far-reaching than a careful examination of the facts may warrant. Specifically, we question whether there is adequate support for the conclusion that mere consolidation of requirements would assure more economical procurement. The analysis in the draft report of the reasons for different prices received by DOD and VA for similar purchases does not indicate that the lower price in each instance was related to a larger quantity procurement.