HEW's costs for drug reimbursements to states under its health financing and services programs without sacrificing the quality of health care. The proposed regulations have a threefold purpose:

One, to limit HEW's reimbursement for prescriptions to their actual acquisition cost plus a dispensing fee.

Two, to limit HEW's reimbursement for chemically identical drugs which are formulated by two or more manufacturers, to the price of the lowest priced of those drugs generally available to pharmacists plus a dispensing fee.

Three, to make comparative price information on drugs available to practicing physicians and pharmacists to enable them to consider costs as they prescribe and dispense drugs for their patients. This subject was discussed in some detail before your subcommittee a few weeks ago.

During our last appearance before this subcommittee in February 1974, we summarized our December 6, 1973, report. Our report supported the need for coordinated action in buying and supplying drugs. We observed that:

Significant savings and other advantages could result from greater cooperation and coordination between agencies in procuring drugs.

Increased use of specifications for drug products to encourage greater competition and central management of drugs should reduce costs.

Better reporting of drugs procured locally and improved, procedures for acting on this information would improve the selection of items for central management.

And finally, responsibility for all quality assurance activities relative to Federal purchases of drugs should be assigned to a single agency—HEW's Food and Drug Administration, FDA.

We made one or more recommendations to the heads of each of four agencies which are heavily involved in activities relating to the Government's procurement and supply programs for drugs—the Office of Management and Budget, the Department of Defense, the Veterans Administration, and HEW.

I would like to turn now to the actions which have been taken since we last appeared. In June of 1971, OMB had proposed that an interagency study under its leadership be undertaken to provide an economic analysis of the management of drugs, medical items, and nonperishable subsistence items and to make appropriate recommendations for achieving effective and economical Government-wide support for the items. This study, as has been noted, began in January 1972. The study group had completed its report when we last appeared here and it made recommendations which were then being reviewed by the agencies involved. The recommendations closely paralleled those contained in our report.

In a memorandum dated June 4, 1974, to the heads of the Department of Defense, HEW, Veterans Administration, and the General Services Administration, the Director of OMB formally approved the recommendations of the study group and requested that:

The administrator of the GSA establish an interagency committee under the leadership of GSA's Office of Federal Management Policy to develop a single system of management for the procure-