of the Department of Medicine and Surgery Supply Service in the Veterans' Administration, to my left, Mr. Roland Harding who is Director of our Pharmacy Service; to his left, Mr. John Manning, who is our Assistant General Counsel. We also have available, if you wish, for specific areas, Dr. Eugene Caffey, who is Deputy for Clinical Support Services in my program. He is a psychiatrist and can give you what you wish on the problems of the various drugs in psychiatry. Dr. Richard Parker from our VA hospital is Chief of Infectious Diseases there; and Robert Rose is Manager of our VA Marketing Center, which you are well aware is in Hines, Ill. He has with him Earl Berkshire, the Chief of the Marketing Division for Drugs and Chemicals of the Marketing Center; and also James Francese, who is their Chief Pharmacist.

We feel they can touch various specific areas if you wish to pursue them.

Now, in our pleasure presenting to the committee, we went to talk to you about the actions taken by the VA in four different areas. The first are those taken in response to recommendations by the General Accounting Office in its December 6, 1973 report. The second is by VA on recommendations from the Office of Management and Budget to develop a single system for procurement and management of pharmaceuticals. Our third area is progress made by VA to promote competition, reduce the cost of drugs, and eliminate any duplication of procurement effort. The fourth approach is to other matters of concern to the subcommittee which involve VA in our drug purchase and prescsription programs.

We at the VA have expended $107,338,218 for drugs, and from here on I will round out the dollars simply for convenience. That was in fiscal year 1974. Of that sum, 44 percent was purchased for stock in our wholesale distribution system; 51 percent from the Federal supply schedule and local purchases; and 5 percent was for the fee basis treatment of our patients. Of that 44 percent listed above, we expended for our wholesale distribution system, $45,575,000. This was issued with $4,375,000 of this sum being purchased by other Government agencies from VA as the group who acquired them. Issues to these other agencies represent an increase of some 18 percent over fiscal year 1973. After deduction of other Government agency purchases and the fee basis reimbursements, the total cost of drugs used in patient care by us in the VA for fiscal year 1974 was $97 million.

VA awarded Federal supply schedule contracts which were used by the VA, our agency, in the amount of $40,722,000, and by other agencies in the amount of $49,250,000. That is a total then of $89,900,000, roughly $90 million.

As explained in our testimony last year, we introduced an innovation to open and contracting, which is known as Schedule C of the Federal Supply Schedule on contracts. We feel this is a great stride forward in our efforts to promote competition and reduce the cost of drugs purchased from open end contracts. We will discuss this in a little bit more detail later.

On small business procurement, for all commodities which it purchases, VA has a good record of purchasing. For fiscal year 1974, 51.7 percent of all of our purchases were made from small businesses.