

In the area of centrally procured drugs, the percentage is only 28 percent, far less than that for the overall, but for a very good reason. These were the competitive awards for depot stocks.

VA centrally procures 684 drugs. Of this number, 31 percent are being procured competitively; 55 percent are available from only one source, either because of patent rights or because there is only one firm holding an approved New Drug Application; 14 percent are currently under development for competitive purchasing.

At this point, I would like to note that within the 55 percent which are available from only one source, 14 percent are unit-dose items.

The CHAIRMAN. May I ask a question? When you say 51 percent of all purchases were from small business, do you mean total dollar value?

Mr. WHITWORTH. Senator, that is 28 percent of all of our competitive drug purchases for depot stock only, sir.

The CHAIRMAN. That is what is confusing to me. You say 51 percent of all purchases. I would interpret that to mean all purchases that the VA makes of all drugs, total value.

Mr. WHITWORTH. That is all items, that is everything that the VA buys.

Dr. LEE. This is all-inclusive, Mr. Chairman. It is all purchases. Drugs are in this, and they are only 28 percent. But overall, our purchases in the VA run 52 percent from small business.

The CHAIRMAN. What definition are you using for small business?

Mr. WHITWORTH. The reporting definition of all agencies used, if it is purchased from a distributor or a wholesaler who happens to be a small business, then it is reported as a small business purchase, sir.

The CHAIRMAN. What did you say? From a wholesaler or a distributor?

Mr. WHITWORTH. The firm from whom it is purchased is the determining factor. If it is purchased from a corner drugstore, even though the item may have been manufactured by a large business manufacturer, it is still a small business purchase for Government reporting purposes, sir.

The CHAIRMAN. What percentage of your purchases of all items do you buy directly from the manufacturer?

Mr. WHITWORTH. We buy competitively, 31 percent from the manufacturers.

The CHAIRMAN. Of all purchases of all goods?

Mr. WHITWORTH. Just drugs, sir, I am talking about. Now the 51.7 percent—and not only the central procurement program—is the total percentage for our entire program. Some purchasing, as you well realize, is done in the field. We could not give you an exact percentage of what is purchased from manufacturers, because we have 170 purchasing offices, and we do not get our reports that way.

Mr. GORDON. May I interrupt for just 1 second? You stated that you spent \$107 million for drugs. That is in the middle of page 1.

Mr. WHITWORTH. Yes, sir.

Mr. GORDON. At the bottom page 2, you state that the total dollar value of competitive awards amounted to over \$13 million. Now \$13 million is only 12 percent of the \$107 million. So, the way I figure it, only 12 percent of your purchases are competitive purchases.