

11768 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

Mr. GORDON. May I interrupt for a second?

How will this single system affect the local purchases and purchases and purchases off the FSS catalog?

Mr. McKENZIE. I would like to ask Col. Wood to respond to that question.

Colonel WOOD. We would hope, Mr. Chairman, that it would significantly reduce the number of local purchases. In other words, we would have on a Government-wide basis, a rather extensive reporting system, or marketing research effort, if you will, of what is being used locally. We would then be able to get these items into the central system sooner. So, we would anticipate a rather significant reduction in the local purchase.

As you realize, of course, we can never eliminate local purchase because we will always have emergencies that come up, a patient requires a particular drug immediately and it is not available, so we buy it locally. But we would hope that it would significantly reduce local purchases.

Mr. GORDON. Are you able to give us a rough estimate as to how much can be saved by cutting down on those types of buying?

Colonel WOOD. Well—

Mr. GORDON. Just a rough estimate.

Colonel WOOD. In the past, we find that on the average the DPSC price for items is generally 20 to 21 percent less than the average price that we pay locally for drugs, either through the Federal supply schedule or from the local wholesaler.

Mr. GORDON. Well, in dollar terms, what can we say?

Colonel WOOD. It is really too premature to say, Mr. Gordon. I just cannot give you a figure because we do not know how many items will be picked up under this new system.

Mr. GORDON. But you say it would be significant.

Colonel WOOD. I would think so, yes, sir.

Mr. McKENZIE. Concurrently, the Defense Medical Materiel Board in conjunction with the Defense Personnel Support Center is taking related actions to accelerate item entry into the central supply system. Examples of the specific actions being taken by these activities are: (1) classifying the criticality of medical items based on their complexity and essentiality to patient care; (2) designing a uniform system for reporting locally procured drug items utilizing the national drug code for identification purposes; (3) reviewing the adequacy of current criteria for assigning national stock numbers and for making a determination on central stockage; and (4) reviewing the actual item entry procedures. With respect to this latter item, we hope to cut in half the actual time from when an item is recommended for entry into the system until it becomes available to the consumer.

Pending the full implementation of the recommendations which will result from the many actions I have mentioned, we continue to evaluate items procured locally for entry into the central system. In the past year we have introduced 130 new drug items into the system.

The CHAIRMAN. Do you have any estimate of the amount saved by that?

Mr. McKENZIE. Colonel Wood, could you respond to that one?