

COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY 11885

Federal Supply Schedule Procurements

Generic procurement is not the only source of recent cost savings in our central drug program. In our testimony before this Subcommittee a little over a year ago, we described an experimental Federal Supply Schedule (then involving 30 items) which consolidates into one place the competing products and shows the comparative prices of each. In other words, those manufacturers who wish to compete have their prices listed alongside their competitors. Some interesting comparisons result. The following excerpt from Schedule C is taken at random:

INDEX NO.	SUPPLIES OR SERVICES	NATIONAL DRUG CODE NO.	UNIT OF ISSUE	PRICE EACH (IN DOLLARS)
55	DEXTRAN 75, 6% W/V IN 0.9% SALINE, 500 ml:			
	Pharmacia Labs; 6 per case	0016-0201-65	CS	19.80
	Baxter Travenol; #2A5013; 6 per case	0338-0263-03	CS	26.54
	Travenol; #2A5013; 6 per case	0338-0263-03	CS	26.54
	McGaw Laboratories; #S9601; 6 per case	NONE	CS	35.10
	Abbott Labs; 6 per case	0074-1505-04	CS	42.33

All ordering data is printed by the Government with each item listed by its generic name followed by the contractor's trade name in price sequence, starting with the lowest price awarded at the top of the list. Contracts awarded under this section are negotiated. This format provides the purchaser for the first time with the opportunity to compare prices without research through voluminous catalogs and price lists. Besides the aforementioned advantages, the Government indirectly gains a beneficial psychological effect. Contractors know that their product and price appears on the "C" list immediately next to their competitor's price. Logically, with this knowledge, each supplier would attempt to show the lowest possible price. While we testified last year that this was