

11886 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

an experiment, we can tell you now, Mr. Chairman, that the experiment has been successful and that we now have a Schedule C contract for 228 items. For some of these items on our Schedule C contracts, a generic item is so low in contrast to the items of other offerers that our local purchases most surely have been greatly influenced in the direction of the lower cost item. An item cannot be listed in both Schedule B (the negotiated section) and Schedule C simultaneously. Since purchases from Schedule C are made by 170 VA field organizations and an undeterminable number of Government agency components, it is extremely difficult to determine the exact savings achieved; however, we have every reason to believe they are significant. The Schedule C addition to the open end contract procurement method is a significant innovation, we believe, in drug contracting for Government. It is our conviction that it will show the way for similar contracts in other commodities. It is our further belief that Schedule C will prove to be the answer to much of the criticism that this Subcommittee has expressed in the past for the relative high cost of items available from the Federal Supply Schedules. Of course, we still have Schedule B of the Federal Supply Schedule contracts. We do get, for each item listed, a price break; otherwise we refuse to list the items. The Government users, therefore, even of items on Schedule B, do obtain a cost savings over that which they would get from their local wholesaler.

Adding possible savings in the Schedule C area to those we have previously attributed to generic procurement could bring the total to over \$5,000,000, although this figure can only be estimated. The actual savings could be far greater. These savings are not one-time savings, but, once established, go on year after year, and will increase by the year as we increase our efforts to find ways to improve on