

COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY 11899

Mr. Chairman and Members of the Subcommittee:

I am Vernon McKenzie, Principal Deputy Assistant Secretary of Defense for Health and Environment. I have been designated to represent the Department of Defense in connection with these hearings.

It is a pleasure to appear before this subcommittee to discuss with you selected aspects of drug procurement and supply within the Department of Defense. With me this morning are Rear Admiral C. Bruce Smith, Supply Corps, United States Navy, Commander, Defense Personnel Support Center; Brigadier General Benjamin Baker, Medical Corps, United States Air Force, until recently Chairman, Defense Medical Materiel Board, and Lieutenant Colonel Theodore D. Wood, Medical Service Corps, United States Army, a member of my staff.

Mr. Chairman as you requested in your letter of 2 April 1975 to the Secretary of Defense, I would like to direct my comments this morning to those actions being taken in response to the December 1973 report by the General Accounting Office entitled "How to Improve the Procurement and Supply of Drugs in the Federal Government."

I will begin by discussing the status of the Office of Management and Budget (OMB) guidance on improving the management of medical materiel. In June 1971, OMB requested that all federal agencies involved in procuring, supplying and using drugs, medical items, and nonperishable subsistence items participate under OMB's leadership in an interagency study. The