

The report then continues, at the bottom of page 79:

The formulary committee would promulgate a schedule of allowances payable for given quantities of covered drugs.

On page 80 of the report it reads:

That would constitute the allowance for tetracycline. The allowance thus determined would be payable on a generic basis for Achromycin, a brand name for one company's tetracycline, or for any other brands of this drug.

Does that indicate that the formulary committee will fix the wholesale price of drugs?

Mr. LONG of Louisiana. It does not. It says that we will use the wholesale prices in calculating allowances.

Mr. MURPHY. I have just read what it says. It is my understanding that it provides that they would fix the wholesale price of the drugs.

Mr. LONG of Louisiana. Mr. President, I point out that we are willing to pay for the cost of the drugs on a generic name basis. We are not willing to pay the much higher price which is occasioned when one buys a drug by a brand name.

Mr. MURPHY. The formulary committee which this provision would set up would decide the price that the Government would pay for the drugs.

Mr. LONG of Louisiana. We would decide how much we would pay, but if one wants to pay a lot more than that allowance, he can go ahead and do it. That would be all right.

Mr. MURPHY. Will the Senator yield further?

Mr. LONG of Louisiana. I would like to answer the question, if I may.

Mr. MURPHY. The Senator has answered my question.

Mr. LONG of Louisiana. I would like to explain it then, if I may.

Mr. MURPHY. The Senator may explain it.

Mr. LONG of Louisiana. If a person has an infectious disease and needs Tetracycline, we would pay him so much for it.

Tetracycline is a wonder drug that one can buy in a great number of places for 5 cents a pill. It costs 1.5 cents a pill to manufacture.

We are willing to pay 5 cents for each of 16 pills. Every bacteria would be killed by the time a person took all 16 capsules. But if one wants to buy Panalba, which is nothing but Tetracycline, manufactured by Pfizer Co., it will cost 30 cents a pill. It used to cost 50 cents a pill.

Our Government can buy the same drug for 2 cents a pill. We provide it for our own servicemen in our hospitals. It is provided for Congressmen in the Capitol. We are willing to pay 80 cents for 16 capsules of Tetracycline.

If one goes to the drug store and buys

Panalba and pays 30 cents or 50 cents a pill or buys the Squibb product at a cost of 30 cents a pill, he can pay that much. If one wants to buy Achromycin, he can do so and pay 30 cents a pill.

The Government can buy the same drug for 1.5 cents a pill and we are willing to allow the wholesale price of 5 cents a pill for it. A person can go to the druggist and if he wants to buy a product by its generic name, that is all right. It is the same product as the 30-cent product. We will pay a nickel for that product. However, if one wants to buy the same drug by the trade name because he feels better about using a Pfizer product or a Squibb product, thinking that is the best company on earth, he can do so and pay more. That is his privilege.

Mr. MURPHY. Mr. President, I thank the Senator for his explanation. Would it be possible to get a simple yes-or-no answer to this question? Would this in effect indirectly help to set the wholesale price of drugs?

Mr. LONG of Louisiana. I do not think so.

Mr. MURPHY. I can answer from my experience as a business executive that if this were done by a business firm, it would be referred to as unfair business competition.

Mr. LONG of Louisiana. All we provide is that we would simply look at the regular wholesale prices to determine what we think we ought to pay.

Mr. MURPHY. We would tell the manufacturer what we would pay for it and the Government would be in the position of being the biggest customer. I would say this practice would be one by which the Government could be charged with attempted price fixing.

Mr. LONG of Louisiana. I understand the situation well. I know that some people would like to see the Government pay for drugs for old people at four or five times more than the actual cost. It would cost our Government hundreds of millions more than the Douglas amendment.

Mr. MURPHY. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I shall be through in a moment. This would cost the Government and the old people would put up an equal amount. They would put up about 50 cents a month and the Government would match that money.

We can provide all of the drugs the people need. We have a formulary committee composed of the finest people in the Government, from the Surgeon General on down. They are the finest professional people that we can find. They are people who can make sure that the drugs will not cost more than they should. However, if we want to run the cost of this thing up to \$500 million, all we have to do is to let the drug companies have their say about it.