

Senator NELSON. Does the Senator object if we just get to that in the normal course of the testimony, unless you really want to pursue it at this point?

Senator HATFIELD. I have just one further question on this point. I will be very happy to wait until you develop it in your testimony.

When you were talking about discriminatory practices toward you from a pharmaceutical house or a manufacturer, I want to just get clearly in mind that you are just as concerned about discriminatory price fixing or price practice as it relates within your profession toward the general customer. Is it not true you are just as concerned with that?

Dr. APPLE. We are certainly concerned with that, Senator.

Senator HATFIELD. And you are utilizing your office and your association to correct that problem toward other people as you feel should be corrected toward you. Is that correct?

Dr. APPLE. That is exactly our position.

Mr. STEEVES. Correct.

Senator NELSON. Go ahead, Doctor.

Dr. APPLE. One of the difficulties we have had, and continue to have, is how these various calculations balance out or fail to balance out. For example, testimony before this subcommittee from the representatives of a particular firm shows that 5-milligram prednisone tablets can be produced for about \$0.50 per hundred. The break-even point for this major, research-oriented manufacturer was estimated by it to be \$1.36. Add to this 25 percent for profit and 10 percent for research costs and the accumulated total is about \$1.84. Yet the price to the pharmacist for the past decade has been nearly \$18. Are we to believe that a quality product cannot be produced and marketed below this price by any other manufacturer?

We have not taken the position that there are any "unwarranted profits" in the drug industry. Our profession has not criticized the profit levels of the industry as being excessive. In fact, we have taken no position on this subject to date. We have assumed that the profit level was adequate and proper—though certainly much greater than community pharmacists enjoy.

We want the pharmaceutical industry to be profitable. The material issues are whether the prices are justifiable and whether the marketing policies that produce these profits are in the public interest. It may be that the price of drugs could be reduced and marketing practices could be changed without altering the overall profit level of the industry.

Mr. Chairman, we favor and support the patent system which has contributed so much to the progress of our country and the welfare of its citizens. We do not distinguish here between patents for drugs and other discoveries. We firmly believe that discovery and invention should be rewarded handsomely to encourage continued development and progress. We feel certain that the American contributions to pharmaceutical and medical science would not have been so rapid and important without the patent system.

Senator NELSON. May I interrupt just a minute to go back to page 4? You refer to prednisone priced at \$1.84 by a calculation you used which begins with the manufacturer's estimated costs of \$1.38. With a 25-percent profit, and 10 percent for research costs, the cumulative total is \$1.84. Are you familiar with the Medical Letter that came out some several weeks ago on the drug prednisone?