

COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

TUESDAY, DECEMBER 19, 1967

U.S. SENATE,
MONOPOLY SUBCOMMITTEE OF THE
SELECT COMMITTEE ON SMALL BUSINESS,
Washington, D.C.

The subcommittee met, pursuant to call, at 10:10 a.m., in room 318, Old Senate Office Building, Senator Gaylord P. Nelson (chairman of the subcommittee) presiding.

Present: Senator Nelson.

Also present: Benjamin Gordon, staff economist; James H. Grossman, minority counsel; Susan H. Hewman, research assistant; and William B. Cherkasky, legislative director, staff of Senator Nelson.

Senator NELSON. The hearings of the Senate Subcommittee on Monopoly will come to order.

We will have a presentation today by a group of distinguished economists representing the Pharmaceutical Manufacturers Association.

Since the economists are here today, I want to make a brief statement to raise a question which I would be happy to have them respond to, sometime during the course of the testimony.

Last spring we had testimony put in the record about comparative prices paid by cities and municipalities around the United States for drugs. There was one error in the statement with which the witness had nothing to do, but the statement was attacked by the Pharmaceutical Manufacturers Association, particularly by Mr. Stetler in a number of speeches around the country saying that the committee had been misled.

So I had the subcommittee do its own survey, and so that there may be an opportunity, while the economists are here, for the industry to comment on this survey, I will just read my brief statement and during the course of the hearing we will be happy to have the comments of any of the economists on the statement.

Early this year the New York City Department of Purchases conducted a survey of the prices paid by 12 municipalities, cities, and counties, for a list of 10 drugs. The survey revealed an extraordinary disparity in the prices paid by these municipalities for the same drug. There appeared to be no rationale to account for the differential prices paid for them.

On May 15, 1967, William F. Haddad, president of the New York Citizens Committee for Metropolitan Affairs, presented the results of the survey in his testimony before this subcommittee.

A great deal of criticism of the survey subsequently was heard from the drug industry, and Mr. Joseph Stetler, PMA president in par-