

clusions, you draw from this data, assuming that there is no factual dispute between us.

I think I should mention though, sir, that the table that you have submitted is not a comparison of prices paid for the same drug in the sense of the same drug product offered by the same manufacturing source to two different buyers.

Senator NELSON. Several instances are.

Mr. CUTLER. They may be, but the table does not disclose that. The table simply gives a generic name of a drug and then lists prices.

Senator NELSON. Just so the record will be clear, let me remind you that I recited in my statement those cases where the same seller, the same manufacturer, sold drugs for a dramatically different price to the two different buyers.

Mr. CUTLER. I don't recall any such statement in the prepared statement you just delivered, Senator Nelson. You make a general statement which is doubtless correct that, at the bottom of page 3, neither does the source of the drug explain the difference since the same supplier frequently charges different prices to different buyers of the same drug. That may well be. But the cases you give are cases in which you identify a generic name for a drug, which may have been offered by different buyers. In fact you indicate in some of the illustrations that they were from different sources.

Senator NELSON. That is correct.

Several cases are purchases from different buyers and in the very dramatic one where it was \$0.51 versus \$17 or thereabouts, one was generic and the other one was a tradename drug. But I did read this sentence and I will read it again:

"For example, in the case of chlordiazepoxide (25 mg., 5,000's) although Los Angeles bought quantities amounting to \$32,625.86," this is on page 5, "worth, they were paying \$25.50 per unit while Philadelphia, which bought only \$12,210.11 worth or one-third the quantity, was paying only \$18.50. It is interesting to note in this case that both cities were supplied by the same firm."

Mr. CUTLER. That is correct, sir.

Senator NELSON. Now, there are several examples of that in the survey we had. There are limitations on how much information you can put on a chart.

What the survey indicates, among other things, is that in several instances the cities have bought from generic companies at a dramatically cheaper price than from brand name companies. It has indicated that in many instances the same supplier, in the same year, will sell his drug, brand or generic, to different buyers at a dramatically different price with no relationship to quantity purchased. In fact, in the instance I just read, the purchaser of three times as much paid a substantial percentage more. What it indicates is that there doesn't seem to be any rationale to it. We had the Defense Supply Agency buying two or three hundred thousand dollars worth in less than a year's time paying more than a city that bought a very minor amount. The survey confirms what the first demonstrated; that is, that there seems to be no rationale at all in the pricing practices of the drug companies.

But I will be happy to have any explanation for these differences from the drug industry. The economists have addressed themselves in