

always had complete freedom in designing and constructing this index. This is the only way I would do it; the Pharmaceutical Manufacturers Association never asked me to do it otherwise. As a result, I alone am responsible for this index in its content and its accuracy.

The index measures the changes in prices of ethical pharmaceuticals as reflected in the price quotations for those brand-name products which are prescribed frequently enough to be recorded in national surveys. The sources of the price data used are relevant editions of a trade journal annual, the Drug Topics Red Book.

I am going to skip over most of this material, and at the middle of page 12, refer to the weights for this index were derived from confidential proprietary data compiled by Medical Data Services, a market research firm of Darien, Conn., from its prescription panel service and provided to me on a confidential basis.

The weight used in constructing the index is the average dollar volume for 2 consecutive years ending with the year of reference. Thus a product is on the market at least 2 years with substantial dollar volume in prescriptions before it is then included in the index for the second year.

The result is that only products which become established in the market can be included in the index. Initial exploratory prices during the introductory period for the product would not generally affect the index. Indication of the rapid changes that have taken place in drug usage may be seen from the fact that only 27 of the original 99 products are still included in the index. It should be obvious that failure to recognize and take account of such changes on a current basis when constructing the price index would result in rapid obsolescence of the index. Accordingly, the list of products and their weights are reviewed each year to make sure that no important item is excluded from the index and to provide for the retirement of drugs that have declined to insignificantly low levels. I note that the Commissioner of the Bureau of Labor Statistics in recent testimony before this committee stated that the BLS has recently adopted this policy for its drug index.

In the 17 years covered by the PMA Index of Wholesale Prices of Ethical Pharmaceuticals, there has been a total decline of 14.1 percent. Declines have occurred in 11 of the 17 years, increases in 4 and there have been 2 years with a change of less than 0.05 percent. Of the 17 therapeutic groups, 10 have shown increases and seven have had decreases since 1949. However, the declines of more than 50 percent that have occurred in two of the most important groups, antibiotics and hormones, more than offset increases of much smaller magnitude in less important groups.

When the drug products had been classified by their patent status, patented products showed a decline of 24.8 percent (through 1966) while the nonpatented products had risen by 1.1 percent in this same period.

Mr. GORDON. Would you please supply us with the raw data and your calculations.

Dr. FIRESTONE. What do you mean by raw data?

Mr. GORDON. Well, whatever information you had on which you based this particular statement.