

Senator NELSON. But it is a price index of a type.

Mr. Ross. It is a price index of a type, the problem being that what it is measuring is open-ended.

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Senator NELSON. I think that what is misleading is that your statistics are used to indicate there is only—I think the interpretation put on your index obviously is incorrect, that the price of drugs that the consumer is buying has risen 2.9 percent.

Mr. Ross. We have never interpreted it that way.

Senator NELSON. No, no; I say I think that the interpretation put on your index, because it is not understood, whereas the fact is that the price per prescription from the Lilly statistics has gone up 50 percent in 10 years and not 2.9 percent, and I think it is very important to make a distinction between the nature of your index—

Mr. Ross. Yes.

Senator NELSON. And this other index.

Mr. Ross. I fully agree that that is a very important distinction. I would argue that our type of index, which measures change in prices for specified items, is very important for many purposes, but as you say, it does not give you an average price of the other type of index.

Senator NELSON. I would agree, and I am certain that from a statistical standpoint, for the purpose that you have in mind, I have great confidence in the validity of your index, but actually it was misleading to me, and I assume it is misleading to a few other people anyway who read it.

Mr. Ross. Yes, sir.

Senator NELSON. The fact is that if the price of my prescriptions have gone up 50 percent, I am paying out the money, my cost of living with respect to that prescription has gone up 50 and not 2.9 percent.

Mr. Ross. Yes.

Senator NELSON. The index does not measure some things.

Dr. FIRESTONE. May I comment on that?

Senator NELSON. Yes.

Dr. FIRESTONE. At the bottom of page 19, average prescription prices, a very simple statistic that has been used at times to measure what has happened to drug prices, is the average prescription price. This, if not properly interpreted, can be a very misleading yardstick.

In an independent analysis of average prescription prices, Prof. Robert V. Evanson, head of the Department of Pharmacy Administration, School of Pharmacal Sciences, Purdue University, has arrived at conclusions essentially similar to those presented in my discussion. Mr. Chairman, I would like to call the committee's attention to Dr. Evanson's paper as published in the September 1967 issue of *Tile and Till*, pp. 58-63, and I respectfully request that this paper be made a part of the record of these hearings.

Senator NELSON. Do you have it with you? You did submit that paper with your statement?

Dr. FIRESTONE. Yes.

Senator NELSON. That will be made a part of the record with your statement.¹

Dr. FIRESTONE. Thank you.

In contrast with a price index, an average prescription price has a number of variables other than the price of the drug. No account is taken of the fact that the mix of prescriptions written and filled in a given period of time may vary from the mix found at some other time. Thus, the average prescription price can rise or fall even if the price of each of the drugs included in the average has not changed by 1 cent.

¹ See p. 1714, *infra*.