drugs in larger quantities to reduce the need for frequent refilling of prescriptions and to give the patient the benefit of whatever lower prices might accrue with volume purchases. Thus, even with lower prices for drugs (on a per dose basis), the average prescription price rises.

Retail vs. wholesale prices

However, what has been most serious in the misuse of average prescription prices is the use of these prices for measuring what has happened to manufacturers' prices. Since this Committee has concerned itself primarily with manufacturers' prices, I respectfully submit that what should be examined is prices charged by manufacturers before pharmacists' margins have been added to these prices. A previous witness, for instance, testified before this committee that "In Washington, D.C., one preparation was found to retail for 75 cents at one store, and $2.45 at another".[6] How this difference can in any way be attributed to the misdeeds of the manufacturer of this product I cannot understand. Even if this manufacturer should cut his price for this product in half, this reduction would be almost completely obliterated by the markup of the second pharmacist.

Past studies by government agencies and Congressional committees have been directed at the growing spread between the prices received by producers of wheat, cotton and wool, and the prices paid by consumers for bread and clothing. Such studies have affirmed what economists are fully aware of; namely, that distribution costs have been growing steadily and that this widening spread does not of necessity reflect price gouging. Most costs have been and are still rising. Taxes, transportation costs and rentals of commercial facilities have generally been rising on an upward curve. Even sharper increases have taken place in wages. Automation of retail pharmacy services is practically impossible so that these increased costs cannot be absorbed by the use of more efficient equipment, as has been possible, to a large extent, in manufacturing. These cost increases must therefore be passed along to the ultimate consumer in the form of higher prices and must of necessity be reflected in the higher average prescription price.

Total illness cost

Over the past few decades new drugs and medicines have made important contributions to the health of this country and are in part responsible for a declining death rate and a rising life expectancy. New products have been developed to provide drug therapy where none had been available previously, e.g. tranquilizers and drugs that are more certain and speedy in effective cures, the so-called wonder drugs.

Many of these drugs are higher priced than the products they replaced on a per dose basis. But this kind of comparison is no more valid than a comparison of jet fares with railroad fares simply on the basis of miles traveled. Just as it makes more sense to measure the comparative cost of a trip from Washington to Los Angeles by plane and train taking into account not only the fare, but all other incidental costs such as meals, and time lost in travel, so is it more reasonable to measure the total drug cost over the period of an illness rather than the price of a prescription. But more than that, except for the geriatric illnesses which come with prolonged life spans, new more sophisticated drugs shorten the duration of an illness, shorten the required period of medical, nursing and hospital care, reduce the pain and discomfort suffered by the patient, and put him back on his feet and back to his job more quickly, reducing his earnings loss due to illness.

I cite this, Mr. Chairman, not as argument, but as sound economics which goes to the question of real cost. For some specific illnesses these savings can be measured in dollars and cents. Before the development of antibiotics, for example, lobar pneumonia meant five weeks of hospitalization, long convalescence, and several hundred dollars for doctors, nurses, medicines, oxygen and hospital care. Today pneumonia means a week to ten days of illness, usually at home, $15 to $30 for drugs, and just two or three visits from the doctor.[7] Fifteen to thirty dollars for drugs sounds expensive. What is generally overlooked is the astonishing reduction of all other medical costs, and the reduction in loss of time from work.

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[6] From statement by Commissioner Arthur M. Ross before this Committee, May 16, 1967.
[7] Kramer, Lucy, "Drugs and Medicine," Public Health Reports, Vol. 73, No. 10, October 1958.