

higher, depending on the procedures followed to determine cost values for both manufactured specialties and custom-made, compounded products.

Operating costs seem to present a different problem, since they can be determined definitely by the simple process of adding all expenditures paid out (or accrued) during the period. A small portion of the total can be added, by means of a percentage markup or a flat fee, to each unit dispensed. However, the amount of operating costs to be charged against the prescription department is not always easily or correctly assigned.

For the prescription specialty shop, little or no problem exists, since all expenses accrue to conducting a professional practice. Only those incurred in selling physicians' supplies or furnishing nondispensing services and supplies (for example, to nursing homes) need be deducted to get a total for the dispensing function. As soon as over-the-counter drugs, other health-needs items, and general merchandise are involved, the assignment of expenses becomes more difficult. Unless adequate records are kept to assign expenses properly, it is possible to undercharge or overcharge the department for its share of the indirect expenses which represent services rendered for the store as a whole.

The point here is that, unless some valid means of defining the actual expenses incurred by the prescription department is devised, any markup or flat fee is little better than a purely arbitrary guess. Since these, too, exert a direct effect on individual charges, the resulting average charge is valueless even as an indicator of trends for one pharmacy. It follows that an average is even less significant for any sample of pharmacies, and significance decreases as the sample size increases.

A final "cost" is that incurred by the business for the owner's investment—usually referred to as "return on investment and/or net profit." As sales volume increases, a set profit-return goal can be achieved with a small percentage return on sales. Increased turnover rates will reduce the profit needed per turnover. The economic status of customers, local competition, amount of welfare business, and internal merchandising policies all affect the potential profit or lack of profit.

Each of these cost factors brings something to bear upon the potential variability or level of prescription charges both individually and collectively. If so many variables exist in the seemingly simple procedure of determining a given charge for a prescription, an average of several charges will be affected by all these variables without reflecting or measuring any of them.

Prescription mix

The strongest single control over the average charge for prescriptions is the prescription mix, because it contains all the potential variables which affect the charges represented by an average. Any given charge depends on four variables: the specific product prescribed, the unit price per dosage form, the quantity prescribed and/or dispensed per prescription order, and the number of prescriptions dispensed for each product.

The selection of product is the function of the medical practitioner, and it depends on his course of therapy and the inherent characteristics or values of a specific product to treat specific diagnosed conditions. The incidence of certain diseases or malfunctions of the human body, specialty practices, prescribing habits or patterns, and many other important variables affect the choice of product. Hundreds of products are available with different components, different dosage forms, varying strengths, and different prices per dosage-form unit. The selection of any one will automatically establish the dosage-form unit price. All of the variables previously discussed as cost factors are immediately brought to bear upon the prescription mix when the product of choice is selected and recorded on the prescription order.

The quantity dispensed per order has a direct effect on the total charge and is dependent on the amount prescribed by the physician to carry out his treatment pattern or—in some instances—by the amount the patient can afford. For example, if 50 tablets at 10 cents each are ordered, the charge would be \$5.00. If 100 tablets are ordered, the charge would be \$10.00. However, if 100 tablets are ordered, but the patient cannot afford to pay for more than 50 at one time, two half-orders could be dispensed over the treatment period, each with a \$5.00 charge. A similar effect on the average is exerted by the frequency and charges for prescription renewals.

The number of prescriptions for each product will be affected by many different kinds of variables, including weather, time of year, the range of age levels among a pharmacy's clientele, epidemics of specific diseases, the extent of preventive