

Dr. MUELLER. That is correct.

The evidence shows that when the buyers are well informed such as, hopefully, the purchasers for hospitals and the U.S. Government, they usually purchase on a generic basis rather than a brand basis, or when they do buy on a brand basis they purchase the brand selling at the lowest price rather than simply the most popular one or well known one.

Senator NELSON. So, you are explaining, I take it, the difference between the price situation in the retail market, where you will find a brand name product sold to the pharmacist at the highest price charged in the country, and the price situation in the institutional market where the same company bidding its brand name product to the Government or some nonprofit institution will offer it at a substantially lower price; is that correct?

Dr. MUELLER. That is correct. I think every person who has studied the record of congressional hearings where this sort of evidence has been developed and has been explored and subjected to extensive comment by informed people outside and within the drug industry, as well as medical doctors, has come essentially to this conclusion: namely, that there are very substantial differences between prices for products purchased by hospitals and other large buyers and prices paid in drug-stores for the identical product.

Senator NELSON. And I understand it to be your conclusion that in general that is because you will very frequently find competition in bids to the Government or bids to nonprofit institutions while there is much less, or in some cases not any, competition at the retail level and the price charged by the company to the retailer and the wholesaler is not a competitive one; is that correct?

Dr. MUELLER. And the key factor for generating the competition is the presence of an informed buyer in one case and an uninformed one in the other, and, as a result, this broadens the market. People who have a product to sell that is physically identical to that of other sellers have an opportunity to bid, and, consequently, you broaden the market, which means broadening the opportunity for competition to work.

Senator NELSON. You referred to an informed buyer versus an uninformed buyer. That factor is at work in purchases by nonprofit organizations or government. If the purchasing agent is informed and takes competitive bids and has the personnel to evaluate the quality of the drugs, you have an informed buyer and you have competition and a lower price. In the same institution, nonprofit or government, if the buyer is not informed the price is back up high again.

Now, you are not suggesting that the question of an informed buyer makes any difference in the retail price, are you?

In other words, is it not correct that the wholesaler or the retailer is charged a certain price, and although quantity buying accounts for some differential, an informed purchaser for a large drug chain is still being charged a high price, the same price as is paid by an uninformed purchaser for another drug chain; wouldn't that be correct?

Dr. MUELLER. That is correct. As I interpreted the evidence that had been developed on this point, the only opportunity of getting a lower price at this level from the ultimate consumer's standpoint, namely, the patient of a doctor, is if his doctor orders the drug on a generic basis.