

For only three of the 14 drugs would the generic and brand-name prices be identical, since these three drugs were sold exclusively by patent monopolists.

(7) The entire issue of the relative movements of drug prices and average prescription charges merits more unraveling than Firestone has attempted. The price of a prescription is based on two factors: The cost of the drug to the druggist, and the druggist's monetary makeup. The cost to the druggist varies with the identity of the drug, the dosage form of the drug, the unit cost of the drug, and the number of units embodied in the prescription.

The druggist's markup is a monetary sum added to his cost, although it may be determined either as a percentage markup added to cost, or as a service charge which does not vary directly with the drug cost itself. In either case, the amount of the markup will be influenced by the druggist's costs and the state of competition in his marketing area.

(a) As Firestone suggests, one possible explanation for the decline in drug prices as measured by certain indexes and the increase in average prescription charges is that an increase in the distributor's cost has more than offset the decrease in the price of drugs to the distributor.

(b) Elsewhere Firestone makes a point of expressing his conviction that pronounced variations in prescription prices for the same item cannot be due to "the misdeeds of the manufacturer" (p. 22). One may infer that this conviction includes a concern to show that increases in prescription charges are similarly not to be attributed to misdeeds at the drugmaking level. ("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," Firestone states on page 21.)

(c) However, certain drug firm practices might increase prescription charges even though drug prices were declining. In terms of the above analysis of the factors determining prescription charges, the following avenues might be exploited to increase prescription charges despite declining prices for each dosage form of each individual drug.

These points are possibly quite significant.

First, with regard to the nature of the drug: Sales promotion may succeed in changing prescribing habits so as to increase both the prescribing of drugs in general, of the more expensive drugs in particular, and even of the more expensive dosage forms or modes of each drug. Drug industry critics have claimed that overselling the doctors means overprescribing and overmedication.

Last year, I think Dr. Frederick Wolff testified before the subcommittee that in his opinion, which he thought was shared by most of his colleagues, something like 60 percent of all prescription drugs prescribed were unnecessary. Thus doctors may be persuaded to prescribe more expensive dosage modes, such as sustained-release and combination forms, instead of the simpler mode. They may also be induced to prescribe the drug in situations where they would previously have recommended the use of a proprietary preparation, or simply no medication at all.