

Senator NELSON. If you would give use the name of the report, I will have the staff look into it.

Dr. COMANOR. Footnote No. 11 provides the reference to the report.

Senator NELSON. All right.

Dr. COMANOR. While more work needs to be done in gathering and analyzing statistical evidence on this problem, there is no evidence which indicates that only branded drugs produced by large firms are of a high quality.

THE CRITICAL ROLE OF INFORMATION

The analysis above suggests that advertising and other forms of promotion have an important effect on competition in the pharmaceutical industry. These outlays permit the leading firms in the industry to enjoy a considerable freedom from competitive constraints, and they have been translated into very high rates of return.

Furthermore, the analysis suggests that advertising and other forms of promotion have been effective to a large extent, because of the high degree of uncertainty about the relative merits of competing products which is present in the minds of the physician who serves as the purchasing agent for the final consumer.

On these grounds, there is much to be said for providing the physician with an impartial source of information which will relieve him of his current reliance on information provided by the drug companies.

Senator NELSON. I think this is a very good point. The fact is that a good part of the thrust of the industry's position is that you can't rely upon a drug unless it is produced by an established, well-known brand name company and that you are taking a risk with drugs from other companies. They end up convincing the physician of that. He has become convinced that there is not any such thing as generic equivalency or that it is a very serious problem. Further, there is not any available compendium of drugs that the doctor is prepared to trust, and that can assure him that he can prescribe a generic drug and trust its reliability. You are suggesting, I take it, that there ought to be a reliable, independent source so that the doctor could select drugs that are asserted by an independent source to be equivalent so that he can prescribe a drug that gives his patient a better price break.

Is that what you are saying?

Dr. COMANOR. That is correct. It seems to me that advertising is effective primarily because of the uncertainty which exists in the mind of the purchasing agent, which in this case is the physician. And if these expenditures were not so effective, we might expect a lower amount to be spent. What is important is to reduce the effectiveness of heavy advertising outlays by providing the doctor with an independent and reliable source of information.

This is not to say that the drug companies do not provide accurate information, although it may sometimes be less than complete, but rather that information from an independent source would have an element of impartiality which salesmen or printed advertisements rarely achieve.

Senator NELSON. If it is less than complete, it is not accurate, is it?