COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

(Present Status of Competition in the Pharmaceutical Industry)

TUESDAY, MARCH 5, 1974

U.S. SENATE,
SUBCOMMITTEE ON MONOPOLY OF THE
SELECT COMMITTEE ON SMALL BUSINESS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:10 a.m., in room 6202, Dirksen Senate Office Building, Senator Gaylord Nelson (chairman of the subcommittee) presiding.

Present: Senators Nelson and Beall.

Also present: Chester H. Smith, Staff Director and General Counsel; Benjamin Gordon, Staff Economist; and John O. Adams, Minority Counsel.

Senator NELSON. Our first witness this morning is Major General Hayes, Principal Deputy Assistant Secretary of Defense of the Department of Defense.

General Hayes, the committee is very pleased to have you here this morning.

As you know, we had conducted some hearings 2 weeks ago involving an issue of standards applied to drugs by the DOD, and involving some criticisms of the FDA. We heard from the National Formulary, the U.S. Pharmacopeia and the FDA. Based on those hearings and based on the materials furnished the committee by the Department of Defense, I have prepared a statement which represents, of course, my viewpoint.

I would like to read this statement into the record and then I would appreciate it if you would comment on it during the course of your presentation.

On December 19, 1973, the Pharmaceutical Manufacturers Association issued a press release opposing HEW Secreary Weinberger's proposal that the Government limit its reimbursement for Medicare and Medicaid drugs to the lowest priced generic drug. In support of its opposition the president of the PMA, Joseph Stetler, made the following statement:

"Max Feinberg, an official of the Medical Materiel Defense Personnel Support Center in Philadelphia, reported this month that the rejection rate on DOD plant inspections is 45 percent and the rejection rate on precontract award sample inspections is 42 percent." (Source, Pharmacy Times, December 1973, p. 40.)