Dr. EDWARDS. Well, in fact, under the medicaid program the policy is that we will allow the States to use either usual and customary or a professional and dispensing fee.

Senator NELSON. Usual and customary markup?

Dr. EDWARDS. Right, at the retail level, or the dispensing fee. Thirty-five of the States which have drug programs in the medicaid program use dispensing fees.

Senator NELSON. You mean 35 percent required dispensing?

Dr. EDWARDS. 35 of the States, of the medicaid States, have the cost of the product plus a dispensing fee.

Senator NELSON. And those States will not permit the use of the ordinary markup?

Dr. EDWARDS. That is correct.

One other point that I would want to make, Mr. Chairman, our policy doesn't mean that a supplier has to have national distribution to provide his product, but the price that we go with has to be a price that is available nationally. A local supplier certainly can supply a drug but he has to supply it at a price that is a national price, not a regional price. If we don't go that way, the problem, of course, becomes very evident that we are going to have to get into the establishment of prices regionally and all of the administrative and bureaucratic things that have to go with the establishment. We just feel it is a much more efficient way to try to do it on a national basis.

Senator BEALL. Doctor, on that point when you say the regional supplier must supply it at a nationally available price, you don't mean to say he must raise his price.

Dr. EDWARDS. No, no; not at all. He can certainly have it lower than that price.

Senator NELSON. I discussed this with a generic manufacturer the other day who supplies drugs to a well-known brand name company. His own company also sells the same drug generically for one-fifth or one-sixth. He has a hard time getting the doctors to prescribe it. So then he photographs the two, assures them that they are made by the same process, same plant, same day. He says doctors still won't prescribe it. So, now he is inclined to put a trade name on it and raise the price up to where the brand names are because even though he is manufacturing both of them, one at one-fifth the price of the other, they won't buy the less expensive version.

Dr. EDWARDS. I have heard situations similar to that.

One of the proposals of the Pharmaceutical Manufacturers Association is that they provide doctors with more up to date drug price information. Of course, we are very hopeful that they will pursue this rather vigorously.

Continuing, we mentioned some of the rather numerous and rather complex issues that are involved in the establishing of such a policy. In fairness to all those affected by these new policies, these issues we believe must be addressed prior to the publication of our proposed regulations.

At this juncture, however, I think we can say that we believe none of these issues warrant any further delay.