I do, however, believe that the committee could benefit from a discussion of these issues and what we have done with respect to the legitimate concerns which have been raised by interested parties.

We must insure that this policy will in no way adversely affect the quality of drugs. As you know, the Department's firm position in this regard is that in terms of quality and therapeutic equivalence, with few exceptions, no significant differences between chemically equivalent drugs have been shown. We, therefore, do not believe that allegations of inequivalency can or should stand in the way of this drug reimbursement policy. We do, however, have some concern that particular manufacturers, be they large or small—and they can be either—may not be constantly producing high quality drugs. We, therefore, believe that the regulations should provide a mechanism to assure that all drugs covered by the policy meet compendial and other quality standards. The regulations will contain such provisions.

Second, we must insure that this policy in no way restricts the availability of needed drugs to a recipient. As we have just mentioned and as the Secretary pointed out, we want to peg the reimbursement level to the lowest cost for which the drug is "generally available." It has never been this Department's position that the reimbursement level should be established at the absolutely lowest cost drug. The regulations must insure that at the established reimbursement level a continuing supply of the drug will be available to all pharmacies.

Third, we must determine whether or not we are going to establish a maximum reimbursement level for all available drugs. Clearly, such an exercise would be futile if there is only one source of that drug. Additionaly, we do not believe it to be administratively advisable or practical to establish a reimbursement level for all multisource drugs, especially those that are not frequently prescribed.

Therefore, at this time, the regulations will be targeted to the top 200 drugs; that is, those 200 prescription drugs most often prescribed. We believe this makes good sense, will ease the administrative burden, and will produce the savings that the Secretary indicated would result. At a later time we would hope to perhaps extend this policy to other drugs.

The fourth issue that I would like to address briefly today concerns the source which should be used to determine the prices at which drugs are available. As you know, many of the publications which list prices are not exact and do not include promotional discounts and other marketing devices such as bulk sales. One alternative we are considering is requesting accurate price information from the manufacturers. If such information is not forthcoming, we will simply use the best and most reliable sources we can obtain.

Fifth, the procedures and criteria to be used in developing the reimbursement levels will also be set out in the regulations. The exact mechanisms to be used remain to be designed. We have, however, tentatively decided to spell out the criteria, including, among other factors, availability of the drug, disparity of prices among