cost seem to be shunned. To the extent that this situation results from a lack of price information available to prescribors, it can be remedied by giving doctors information that will enable them to consider price as well as quality.

Second, we find that the present medicaid reimbursement systems do not accurately reflect the two components that make up the retail price of a drug—the pharmacist's cost of acquiring the drug wholesale and his cost of dispensing the drug.

Now this does not mean that the Nation's pharmacists are at fault, and I do not have any intention this morning of trying to fix blame. If any blame is to be fixed on anyone——

The CHAIRMAN. May I ask a question, Mr. Secretary?

Secretary WEINBERGER. Yes sir.

The CHAIRMAN. You state at the top of page 4 that: "despite the wide variation in prices of these products, most drugs dispensed tend to be the most costly available and identical products of equal quality and lower cost tend to be shunned."

As you know, a recent study of the Council on Economic Priorities showed that the most expensive brands of antibiotics are prescribed most frequently and have the greatest sales volume and are used to fill the majority of generically written prescriptions. In many cases it is common that one firm manufactures an antibiotic for another firm which sells it at widely different prices, both under different brand names and generically.

For example—and this is just an example to comment on, although there are a large number of them—the Mylan Laboratories manufactures erythromycin for Smith, Kline & French, for Pfizer, Parke-Davis, and Squibb. And the published prices vary from $10.15 to $15.87 for identical packages of 100-, 250-milligram tablets. The same firm also manufactures for Sherry Pharmaceuticals, which sells erythromycin not for $10.15 or $15.87, but for $5.70. Now, how would the MAC regulations meet this kind of situation?

Secretary WEINBERGER. Well, the MAC Board, which we will mention in the course of the testimony, would determine the lowest price at which erythromycin was generally available to pharmacists throughout the country. Then we would have a determination as to whether or not the lowest available price had the same bioequivalency, bioavailability; and if there were no problems of that kind, then the price that the MAC Board set would be the lowest price generally available to pharmacists, and that would be the limit on the government reimbursement for orders of that particular drug.

The CHAIRMAN. Well, now in this kind of a case, it is the same firm manufacturing and supplying the same drug—erythromycin—to half a dozen different companies. When you say the lowest price at which it is generally available, in this kind of a case where it is the same company, the same drug, no matter in what small amount, it might be sold at $5.70—would that be the standard?

Secretary WEINBERGER. Yes. It is not the volume of sales; it is the lowest price of the drug that is generally available throughout the country to pharmacists. We have supply problems in line with things of that kind, so that when you establish that, if that turns out to be $5.70—as it very well could in this case—the next question