sible for administerng our drug benefit program. It would be chaired by our Assistant Secretary for Health. The Board would be assisted by a nine-member advisory committee representing the professions of pharmacy and medicine, the drug industry, and consumers. No MAC would be proposed for any drug for which there is a pending or anticipated regulatory activity, including the establishment of the bioavailability requirement, that would warrant a delay in establishing a MAC for that drug. No MAC would be made final before interested persons had an opportunity to submit written comments and request a hearing, and each, of course, would be reviewed on a regular basis.

I want to emphasize that the MAC would not be set at the absolute lowest cost as which a drug is marketed; it would be the lowest cost at which the drug is generally available; that is the price at which pharmacists throughout the country can be assured of a continuing supply of that drug.

To assure access by physicians to any needed drug, the MAC limit would be waived when a prescriber certified in writing the necessity of a higher price product.

And to assure that the MAC ceiling does not also become its floor, the pharmacist would be entitled to retain 25 percent of any difference between the actual cost of the product dispensed and the MAC limit on that drug.

We estimate that Federal and State savings during the first full year of this program would be about $49 million.

With respect to acquisition costs and the dispensing fees, the second major proposition is to change the way in which acquisition costs and dispensing fees are calculated. This would establish in effect a cost-plus fee basis as the basis of reimbursement to pharmacists, and the majority of States do that now, so it would not be any great fundamental change, but it would define actual acquisition cost as that less discounts and promotional allowances—except of course for the usual discount for cash payment.

Most States now pay pharmacists on the basis of a so-called average wholesale price, and we believe that tends to overstate actual costs by about 15 to 18 percent. We do not underestimate the difficulty the States would have or pharmacists in arriving at this actual acquisition cost, and we are exploring various means of trying to estimate it, but we come much closer to the true cost than the so-called current published prices. We estimate additional savings of up to $40 million from this provision, so you would have about $90 million the first year in savings with this proposal.

Finally, the point I was mentioning to Senator Javits a moment ago, the compilation and distribution of comparative price information to physicians and pharmacists and on request to interested consumers—while physicians have a great deal of clinical information about drugs, we think they have little or no information about the relative prices of different drugs having the same therapeutic indications. The price information would be presented by therapeutic category and would include both multiple and single source drugs. They have had a somewhat similar program in Canada for some time with results that we understand are good.