

activities in the State, usually a welfare department of a State.

Senator HATHAWAY. What factors do they consider, do you know, in fixing fees?

Dr. APPLE. In some States there is a concerted effort to take into consideration what the going rate is. In other States it would appear to us that it is strictly a budgetary proposition. There are x number of dollars available for the drug program. They extrapolate out the product costs and they take what is left and divide it by the anticipated number of prescriptions and arrive at a fee that way, leaving the pharmacist what is left.

Senator HATHAWAY. Regardless of what his costs happen to be?

Dr. APPLE. Yes, sir.

Senator HATHAWAY. What would be a fair way of going about it?

Dr. APPLE. There is an experimental program right now under title XIX in the State of Kansas where the State medicaid administrative body is attempting to ascertain the actual costs of each individual pharmacy and reimburse it a commensurate fee based on that pharmacy's own cost without regard to the product cost.

Senator HATHAWAY. Of course, the fees would vary from State to State, I suppose.

Dr. APPLE. Yes, sir, but in the Kansas situation they are looking at not only the operating costs of each pharmacy but they are attempting to compensate for the differentiation of services offered by individual pharmacies.

In other words, the pharmacies that keep patient record systems and provide other ancillary services which benefit the recipient are taken into account in the actual accounting procedure they use in the Kansas system.

Senator HATHAWAY. Thank you. Please go ahead.

Dr. APPLE. Now APhA understands and appreciates why a manufacturer may have to increase its prices to pharmacists because the cost of raw materials and production are increasing. But, what everybody must understand is that pharmacists are subjected to the same inflationary pressures. State medicaid programs required to operate within fixed appropriations have paid for drug product cost increases by not increasing, and in some cases by reducing, pharmacists' fees. The bottom line is that after the manufacturer gets paid for his product and the third party administrator gets paid for his services, the pharmacist gets what is left—which is always insufficient.

APhA has now filed with HEW its comments on the specifics of the proposed MAC regulations. Those comments state that APhA has not changed its views regarding the soundness of the proposed HEW policy as set forth by Secretary Weinberger. The comments clearly distinguish, however, between the basic policy announced by the Secretary and the proposed program for implementation of that policy, at least in its present form as published as a series of proposed regulations in the Federal Register beginning in November 1974.

With respect to the program for implementation, we find many features to be sound and reasonable. However, there are several details with which we are not satisfied and which are critical as to our ability to support the resultant program.