Dr. APPLE. They already have these guidelines, Senator. It is a question of the Federal Government, HEW, in effect, not approving the basic program. Each State, when it wants to carry on title XIX, has to submit its program to HEW for approval. HEW is giving that approval without carrying out the mandate for a reasonable fee.

Senator HATHAWAY. I see.

Dr. APPLE. I think a good example is the situation we had in one State where pharmacists were being paid $1 as a professional fee. Now, how that could clear HEW is beyond me, when the average in the United States was around $1.85. It certainly represented a hardship, an economic hardship to the pharmacists in that particular State.

Senator HATHAWAY. So, HEW, in effect, is just rubber stamping every State's program without giving it the scrutiny that you think they ought to with respect to pharmacists' fees.

Dr. APPLE. We think with regard to the drug program, it has basically rubber stamped these programs.

Senator HATHAWAY. Thank you.

Mr. GORDON. Senator, may I interrupt for a moment?

Senator HATHAWAY. Sure.

Mr. GORDON. Concerning the definition of reasonable fees, that would be left to the States. I assume that the States, even today, would not be paying a fee which it considered unreasonable. So, I assume they think they are paying reasonable fees now.

Dr. APPLE. Well, there is criteria in the medicaid regulations covering a number of points which have to be taken into consideration in determining the cost for providing the services required which would result in a reasonable fee.

Now as I indicated earlied in my comments, some States have progressed to the point of making some very careful analyses of these ressed to the point of making some very careful analyses of these costs. For example, a study recently concluded by the State of California— the State did the study, not the profession of pharmacy— came out with the fact that the current rate in California is inadequate for the service the State is asking the pharmacists to perform. This conclusion was based upon an examination by the State of actual operating costs of different type pharmacies in different locations.

Now obviously, the State is not going to directly move into reimbursing the pharmacist at the rate which the study revealed the pharmacist should have; but what we are pleading here is that there has to be some equity in the situation. We can not have over a 5-year period a 5.8 percent increase, or an average of 1 percent a year when passthroughs on products, passthroughs on other professional services, are in the magnitude of 5 percent and 10 percent a year.

I trust I have answered the question, Mr. Gordon.

Since economics are substantially involved in the MAC policy, those concerned with this policy and its implementation, including this committee, must recognize several pharmacy-related economic facts of life. Every pharmacy requires a certain level of income over expenses to remain viable from an economic standpoint. Over the