

courts in August 1973. Effective in August 1973 a new program, the current maximum allowable ingredient cost program (MAIC), was adopted. This program salvaged a number of the elements of the RCLP program by following a very strict court dictated administrative procedure that has now become part of our departmental regulations. The procedure is presented in evidence as an attachment to this statement.

The MAIC program is limited in that only 125 generic drug types, you recall I mentioned 198 for the RCLP, and only five medical supply categories currently are subjected to price ceilings.

Incidentally, that \$3 million figure for 1973-74 represents by and large the contracted MAIC program as opposed to the larger more comprehensive RCLP program.

In compliance with the administrative procedure, the Department charted drug utilization in a dollar volume array, then proceeded with adopting price ceilings only on the highest volume generic drug types and medical supply categories for which an adequate evidentiary base for therapeutic safety and statewide distribution was available. That is to say, to set a ceiling price, some drug product would have to be available at that price on a statewide basis distributed through the usual and customary channels, shown to have proven safety, and proven therapeutic effectiveness. The drug products which are generally prescribed by a physician and other prescribers throughout the State of California.

Even with the safeguards of the standards established by the Federal Food and Drug Administration, and our own State food and drug section, we had to take extra steps. Even meeting these limitations and extra requirements, the RCLP program accounted for more than \$2 million worth of savings in the 1972-73 fiscal year on total drug expenditures of \$81,479,170. In a program of more than 2,600 drug items available, that is the line items, price ceilings on only 198 have accounted for savings of over \$2 million at an administrative cost of something less than \$40,000—a 2.4 percent savings—overall savings.

Let us backtrack just one moment and restate the savings figures in their proper perspective. We have saved more than \$2 million on ingredient cost for items with price ceilings, not total prescription charges, at retail? It is more than 7 percent, which we in California feel is reasonable, while not severely constraining the health care provider from providing any patient with any drug under any circumstance.

However, critics have taken these facts and have attempted to distort them to mean that the program does not meet its projected goal. The Department readily admits that, to date, we have not had the advantage of a fully implemented program. We feel that the Federal imposed MAC program should carry on where the State of California MAIC program pioneered.

The most important criticism to date to California's MAIC program is that of Earl W. Brian, M.D., former director of the State of California's Department of Health Care Services, and later Secretary of the State Health and Welfare Agency, a post on former Gov. Ronald Reagan's cabinet. Dr. Brian, in a recent commentary to the Department of Health, Education, and Welfare (HEW), has used his perception of the California program to question the value