

ipient, and not introduce a control which addresses itself to 5 percent of recipient abuse and penalizes the 95 percent of recipients who are in direct need of a drug benefit.

GENERIC DRUGS

In July 1972, the Colorado medicaid drug program adopted a new policy concerning reimbursement whenever a drug was available generically. Prior to July 1, 1972, the State of Colorado was reimbursing participating pharmacy vendors based on average wholesale cost of the drug, plus a professional fee of \$1.85 or usual general price, whichever was lower. In the case of generics, the profit realized by pharmacies was exorbitant in some specific instances. For example, one drug manufacturer at that date listed the average wholesale cost of Ampicillin 250 mg capsules at \$22.34 per hundred capsules. Actually, the pharmacist was paying \$9.60 per one hundred capsules in the majority of the time by buying direct from the manufacturer. Pharmacists were realizing a profit of \$12.74, in addition to the \$1.85 professional fee. The same principle could be applied to a number of drugs which were generically available. This policy encouraged pharmacists to dispense the more expensive generic drug in order to realize a greater markup, and thus a larger profit.

The policy implemented on July 1, 1972, established a Maximum Allowable Cost whenever the drug was available generically. This Maximum Allowable Cost was based upon the professional recommendations of the Colo Rx Drug Formulary Committee, an advisory committee composed of professionals appointed by the Colorado Pharmacal Association and the Colorado Medical Society. This committee took into consideration a number of standards in selecting the Maximum Allowable Cost. The committee was presented with a list of the generic drugs, ranking the drug from the least expensive to the most expensive available product. The generic drugs listed in this printout reflected only those drugs which were on demand or utilized within the Colorado area or for which the Department has received a request to add such a generic drug as a benefit.

A number of factors were considered in establishing and recommending the Maximum Allowable Cost. For example, was the drug manufacturer an established and reputable drug manufacturer? Was the drug available from more than one wholesaler in the State of Colorado? The committee took into consideration bioavailability information, dissolution rates, drug recalls, physician acceptance, and—above all—their own personal experience with the drug. For example, during the Colo Rx Drug Formulary Committee meeting in which the Maximum Allowable Cost was discussed, members would point out they had received a number of complaints regarding certain generic drugs manufactured by a specific drug manufacturer. In this case, this drug manufacturer's price was not considered in determining the Maximum Allowable Cost.

Patient and physician acceptance of the generic drug were key factors considered in establishing the Maximum Allowable Cost. It was recommended that each generic drug have its own drug number. This would prevent the pharmacist from dispensing a lesser-priced generic drug and billing the Department for the Maximum Allowable Cost selected. It would also give the Department realistic sta-