

11712 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

Mr. MICHELOTTI. You are asking me why haven't we used the lowest priced item?

The CHAIRMAN. Yes.

Mr. MICHELOTTI. The reason for that, is that it may not be available in California.

The CHAIRMAN. No, no; I said I am assuming it is available. Use my facts.

Mr. MICHELOTTI. The drugs that listed in the catalog, in the Red Book and Blue Book, are drugs that are available several places in the United States, not necessarily in California. So that is why we don't necessarily go to the lowest item available in the catalog. It may not be available in California.

The CHAIRMAN. Let's take another case. Let's assume it is prednisone again, and there are just two brands on the marketplace and they all meet the standards, all available, and one of them was \$1 a 100 and one was \$17.90 a hundred; what would you do?

Mr. MICHELOTTI. We would send an informational questionnaire to each manufacturer and ask him to give us some information about his drug products, we would ask him about his assays of the drug, any clinical studies, et cetera. We would bring these documents back to the Department. Departmental staff would evaluate the adequacies of these documents and then there would be a presentation to the Director of Health and he would make a determination either to go with the \$17 product or with the \$1 product.

Now, in the absence of this information—if both companies chose not to respond because there is too much paperwork and they don't want to fool with California's program—then we are permitted to go to our State Medical Therapeutics and Drug Advisory Committee to give us very subjective interpretations of whether one product or the other would suffice.

The CHAIRMAN. You are saying if they all meet compendium standards, and they are all equivalent, that you would buy the \$1 drug and not the \$17.90 compound; is that right?

Mr. MICHELOTTI. Yes, we feel we have that responsibility to the taxpayer.

The CHAIRMAN. I am sorry, I have to leave. There is a roll call.

There are going to be nine roll calls in a row and a closter vote, and it will take at least 90 minutes before we finish roll calls. I wish I could stay here longer. I am sorry for these interruptions, but your testimony has been very useful. I would assume you would be willing to respond to some written questions if we have some for the record, and Mr. Gordon may have a few questions if it isn't too much of an imposition of your time.

Again, thank you very much.

Mr. MICHELOTTI. Thank you.

Mr. GORDON. Let us turn to Mr. Michelotti first.

Would you turn to page 5 of your statement? We wanted to get your statement into the record before the chairman had to leave. At the end of the first paragraph you say, "and offered to participate in these programs."

Now, the volume refund program is expected to save the State about \$8 million per year. Did it ever get started?

Mr. MICHELOTTI. Yes, it did get started.

Mr. GORDON. The two programs together were expected to save the