

that is you cannot say that, you are establishing a ceiling price on penicillin. What exactly do you mean by that? You are establishing a ceiling price on penicillin, 250 million gram, tablets. So it is important to identify that we are talking about a line item, rather than just a drug entity.

Mr. GORDON. Different drug products, I assume?

Mr. MICHELOTTI. Drug products—are—again, the nomenclature is confounding. A drug product is a line item, but it also reflects a particular manufacturer's product. Manufacturers make products and they are included within the line item.

Mr. GORDON. Now, the \$2 million, as I understand it, is a difference between the reimbursement with price ceilings and what the reimbursement would have been for the same number of items without the ceiling. Is that right?

Mr. MICHELOTTI. That is correct. In other words, a limited number of drugs purchased under a distinct set of circumstances produced this amount of savings.

Mr. GORDON. I see.

It is rather interesting to note that Dr. Brian's table II—that you have attached to your statement shows a saving of \$169,252 per month of the program. Now, if projected for a year, the total annual saving would be over \$2 million.

Mr. MICHELOTTI. That is correct.

Mr. GORDON. Which is not a negligible saving.

Now, as a percentage of the total costs of drugs which were controlled, it comes out to 7.3 percent. Is that correct?

Mr. MICHELOTTI. That is correct.

Mr. GORDON. And this falls within the range estimated by the Secretary of HEW for the Maximum Allowable Cost program. Is that correct?

Mr. MICHELOTTI. That is right. This is why were somewhat at issue with Dr. Brian's conclusions.

Mr. GORDON. One more question.

You mentioned about the PMA suing you and preventing you from carrying out certain programs.

Mr. MICHELOTTI. Yes.

Mr. GORDON. Besides the PMA, what other opposition do you have when you try to limit, or adopt plans to limit the cost of drugs?

Mr. MICHELOTTI. The plan was not really contested by a host of different sources.

The one significant group, other than PMA, was a group of practicing pharmacists in the San Francisco Bay area, known as Operation Fair Shake. They had opposed the ceiling prices on the grounds that they felt that quality drug products were not available within the confines of our price ceilings.

Beyond that, there was a very minimal amount of mail from individual pharmacists and physicians here and there, but when you talk about a program that has 70,000 health care providers, 5,000 of which are community pharmacists—not just only community—we received a handful of commentaries; and you are talking about 2½ million beneficiaries and we received only a handful of commentaries, you probably have the feeling that perhaps this is not contrary to public opinion.

The California Pharmaceutical Association, who represents orga-