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products. During the 6 months period evaluated we found that our expenditures were \$461,900 less for those products than during the latter 6 months.

Now, you cannot say that have that much savings, because during that period there were some changes in policy. There were other products added, other generic products that would come on the market. The prices would automatically be lowered and in some cases they would be raised.

About that time we were activating our utilization review system, beefing it up so it was more effective and sending more letters to doctors so they would prescribe fewer prescriptions. So we cannot say that we saved that much money entirely due to the MAC policy.

There are other variables, such as possibly a physician would be writing for two drugs when he could not get that one drug, maybe in some instances the more expensive generic product that he could not get, forced him to write for the lesser expensive one, maybe something happened and the patient would come back and he would have to represcribe something else.

It is very difficult to say this is how many dollars and cents you have saved. But we are able to look at the savings from a budget standpoint and determine how much time we had been spending annually per recipient. Prior to July 1, 1972, we were spending approximately \$53.72 per recipient. Now, our recipient population has varied from 120,000 to 167,000, but roughly taking 150,000 recipients and looking at what happened after 6 months of experience, the average dollar amount paid on an annual basis for a recipient was \$46.44, a difference of \$7.28, on a 12-month period. If you assume that your drug costs dropped \$7.28 for every recipient and your average population is 150,000 then you have approximately 1 million in cost savings.

Had we not implemented the program you can assume our program would have gone up that much more.

Mr. GORDON. What percentage of savings do you actually achieve?

Mr. MARGREITER. Roughly 14 percent.

Mr. GORDON. How much?

Mr. MARGREITER. Fourteen percent.

Mr. GORDON. What is your estimate for the administrative costs, in administering the program which enabled you to save 14 percent?

Mr. MARGREITER. The administrative costs were really insignificant because of several factors. Our staff was available, the medical advisory council composed of the pharmacy subcommittee composed of physicians and pharmacists were donating their time free. The Colorado pharmacists and doctors on the drug formulary committee were eager to participate in the program. There were no additional staff added to our program.

There were some charges, naturally. When we closed our formulary there were printing costs involved, postage costs involved, computer costs. But we felt the costs were very minimal at that time.

Mr. GORDON. Thank you very much, gentlemen, on behalf of the chairman.

I want to thank you again, and I appreciate your coming.

The hearings are recessed subject to the call of the Chair.

[Whereupon at 11:40 a.m., the subcommittee recessed subject to the call of the Chair.]