progress is to be achieved, then the costs and expenses of the research and quality-based drug firm and of the service-oriented pharmacy and wholesaler must be recognized in establishing flexible policies on prices and fees.

PMA believe that any Government drug program should provide a stimulus for continued competition, for greater excellence in pharmaceutical manufacture, and for even more efficient means of prescribing and dispensing drugs without sacrificing quality and service.

In announcing the proposed regulations, HEW officials attempted to show how much the scheme will save. It is difficult to understand the apparent uncritical acceptance of these estimates.

To begin with, the advocates of the plan claim that $40.0 million would be saved by reimbursing pharmacists on the basis of actual acquisition cost. Yet, nothing is said as to the cost of operating so apparently simple a provision. And when pharmacists point out that they may not be in a position to participate in medicaid if that plan is carried out, HEW indicates an intention to raise dispensing fees to reduce the loss to pharmacists.

The probable result of this part of the MAC plan, if it can be administered at all, would be to save little or nothing for the taxpayer. Pharmacists now receive part of their incomes from the differentials between average wholesale catalog prices and the prices they actually pay. If this plan goes into effect, they will no longer get income in that manner. Instead it would have to come from a higher dispensing fee. In any event, the $40.4 million savings is no more than a rough, inaccurate guess.

The claimed $48.4 million saving in product cost is relatively more subtle. That figure is apparently based on the assumption that the entire universe of multisource drugs would be covered. It allows nothing for administrative costs to either the State, the professionals, or for the Federal agencies involved, and no allowance for the exemptions which HEW has promised to physicians who insist that their patients have the exact product prescribed.

To accept these claims, one must ignore the fact that all of the mechanisms to operate the program must be put in place and paid for before it could begin. One must forget that no more than a dozen drugs would probably be in the program in its early stages and that the cost of guaranteeing drug quality would be extremely high.

In short, HEW has proposed a program of unexplored cost to realize undocumented savings, in disregard of the rights of people who would have to pay for and live under the proposal. If this program is justifiable, its costs must be explained and they must be defensible. Until those figures are available for examination, no credence can be given to the estimates presented.

Throughout the medicare-medicaid statutes, Congress repeatedly expressed its concern that beneficiaries under the programs should not be forced to accept inferior services or supplies simply because funding is provided by the Government. This concern is carried over directly into those provisions dealing with economy and cost limitations. While the Secretary of HEW is authorized to establish reimbursement limits under medicare and medicaid, the law cautions that this should be done only when the services or supplies for which such