petitive levels. The internal mechanisms of the plan with the suggested changes make this possible. For multi-source drugs, for example, the MAC price (acquisition cost) will decline over time until it approximates the competitive level. If the dispensing fee component is tied to market-determined prices, then as retail competition increases, this component also will decline to competitive levels. Thus the eventual outcome would be an HEW-allowed acquisition cost and dispensing fee which together total the usual and customary price as established in a competitive market, and the definition and measurement of the two separate components, with all the difficulties and bureaucratic expenses entailed, will be unnecessary.

Respectfully submitted,

BRUCE M. CHADWICK,
Attorney, Bureau of Consumer Protection.
JAMES R. GREEN,
Economist, Bureau of Economics.
DAVID F. LEAN,
Economist, Bureau of Economics.
ALISON MASSON,
Economist, Bureau of Economics.

Approved:
J. THOMAS ROSCH,
Director, Bureau of Consumer Protection.
Approved:
FREDERIC M. SCHERER,
Director, Bureau of Economics.
Concurred:
WESLEY J. LIEBELER,
Director, Office of Policy Planning and Evaluation.

U.S. SENATE,
SELECT COMMITTEE ON SMALL BUSINESS,
Washington, D.C., June 2, 1975.

Hon. CASPAR W. WEINBERGER,
Secretary, Department of Health, Education, and Welfare, Washington, D.C.

DEAR MR. SECRETARY: You will recall the recent hearings held by our Monopoly Subcommittee concerning your maximum allowable cost proposals for drugs provided under Federally funded health programs.

Senators McIntyre and Hathaway, members of the Subcommittee, have requested that the enclosed questions be forwarded to you for your consideration.

These questions and answers will be included in the Record of the hearings.

Kindest personal regards.

Sincerely,

GAYLORD NELSON,
Chairman.

U.S. SENATE,
Washington, D.C., April 8, 1975.

Hon. GAYLORD NELSON,
Chairman, Subcommittee on Monopoly, Senate Small Business Committee, Russell Senate Office Building, Washington, D.C.

DEAR GAYLORD: This is in reference to the hearings held by the Subcommittee on Monopoly on March 19, 20, and 21, 1975, concerning the proposal of the Department of Health, Education, and Welfare to limit reimbursement for drugs provided under Federally funded health programs to the lowest cost for safe and effective drugs.

Although I was present for a portion of the testimony presented by Secretary Weinberger, Department of Health, Education, and Welfare, a vote on the Senate floor precluded my hearing his entire testimony.

As you know, I was present during the second day of the hearings when testimony was received from Dr. William S. Apple, Executive Director of the American Pharmaceutical Association, who expressed several concerns that I have also heard from smaller pharmacists:

(1) the difficulty pharmacists, especially those with smaller establishments, might have in establishing actual acquisition cost under the proposed program; and