

11930 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

in the timing, intensity, and duration of the drug's action on the patient.

ADMINISTRATIVE COSTS

NPC has seen no official estimates by HEW on the cost of administering the MAC program and it seems quite apparent that HEW has failed to assess properly the cost of implementing its proposed program. If the administrative costs of the MAC program were fully and fairly considered, we believe they would exceed any benefits to be gained from purchasing low-priced drugs for federal health care recipients. For example, the actual acquisition cost proposal, if it replaces the average wholesale or similar method of cost determination, will result in significant losses to retail pharmacists unless their income reductions are compensated for by other adjustments such as with higher professional fees.

Pharmacists generally are not now over-paid for their services and business costs, and cannot justifiably be expected to bear this loss of income. If the extra margin resulting from the difference between actual acquisition cost and average wholesale price (estimated by HEW to total \$40.4 million) is recaptured by the Government as a result of the proposed policy change, adjustments in professional fees totalling at least that much, although entirely proper and necessary, may cancel out most or all of the savings projected from the AAC provision. To achieve, insignificant, or entirely illusory, savings, the government still will be required to establish elaborate machinery to administer the AAC program, process claims, and audit pharmacists' records. Despite these obvious sources of expense, HEW