

COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY 11931

officials have publicly stated that the administrative costs of the AAC program would be minimal because claim-processing offices are already established in each State program. In reality, the proposed rules can be enforced only by substantially increasing the workload of those offices.

As an alternative to the MAC proposal, NPC has recommended to HEW the establishment of a system of peer review. Coupled with computerized drug-utilization data, such a system could be used to minimize the costs of pharmaceuticals prescribed and dispensed under Federal programs without diminishing the quality of care provided. NPC is opposed to unwarranted administrative restrictions on the use of drugs, but believes that drugs should be used properly, effectively, and only when needed. Peer review can work without the administrative disadvantages of fixed and inflexible price ceilings and would also help reduce the administrative costs inherent in MAC and AAC proposals.

In summary, the MAC proposal cannot be justified as an economy measure. The savings that will supposedly result from the purchase of cheaper drugs will be cancelled out or exceeded by increased administrative and auditing costs, or by increases in the overall cost of treatment due to the inadequacy of the drugs supplied. Little will be gained by reducing the cost of drugs while increasing the cost of government and diminishing the quality of health care provided to the elderly and the poor.