

COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY 11937

Mr. Chairman and Members of the Committee:

I welcome the opportunity to appear before this Subcommittee to outline for you the Department's plans to limit reimbursement for drugs provided under Federally-funded health programs to the lowest cost that will assure safe and effective drugs for all patients who need them.

The complex issue of drug pricing is one which this Subcommittee has investigated with singular thoroughness over the years. And as I think you know, it is one with which the Department has been heavily concerned since the inception of Medicare and Medicaid nearly ten years ago. There is now no doubt that the public interest and common sense dictate that we institute a program based on the substantial economic and scientific information at hand, and aimed at reducing the cost of drug reimbursement without sacrificing the quality of health care.

Such a program--the Maximum Allowable Cost, or MAC--is now well along toward implementation. I should like to provide this Subcommittee a summary of the rationale for the MAC policy, the progress we have made toward launching the program, and the issues that we recognize will require careful scrutiny and assessment if this program is to achieve its worthwhile and important objectives.