

11938 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

Let me just put this subject in perspective and a few figures will suffice to do that.

In FY 1970, the Department and the States spent \$1.2 billion to pay for drugs provided under Medicare and Medicaid. In the current fiscal year that figure has risen to \$2.5 billion an increase of more than 100 percent in the last five years.

I would emphasize that this increase is substantially, though not entirely, the result of increased participation in these health programs--more people being served with each passing year. There has been, of course, some inflation in drug prices--though not as great as in other elements of health care--and this, coupled with the trend toward more costly drugs replacing less expensive items, and increasing quantities being prescribed, has added to the cost of drug services.

But I would hasten to point out, Mr. Chairman, that the rationale for the MAC policy does not rest primarily on the fact that the Federal government and the States are spending much more for drugs than they did in former years. By itself, that would scarcely be adequate justification for the program we have proposed.